

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

| | | | | | |
|---|--|--|--|---|--|
| Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Government Name City of Jackson, Michigan | | County Jackson | |
| Audit Date June 30, 2005 | | Opinion Date October 31, 2005 | | Date Accountant Report Submitted to State: December 20, 2005 | |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

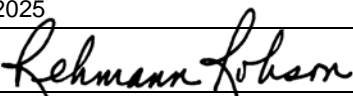
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

| We have enclosed the following: | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations. | X | | |
| Reports on individual federal financial assistance programs (program audits). | | | X |
| Single Audit Reports (ASLGU). | X | | |

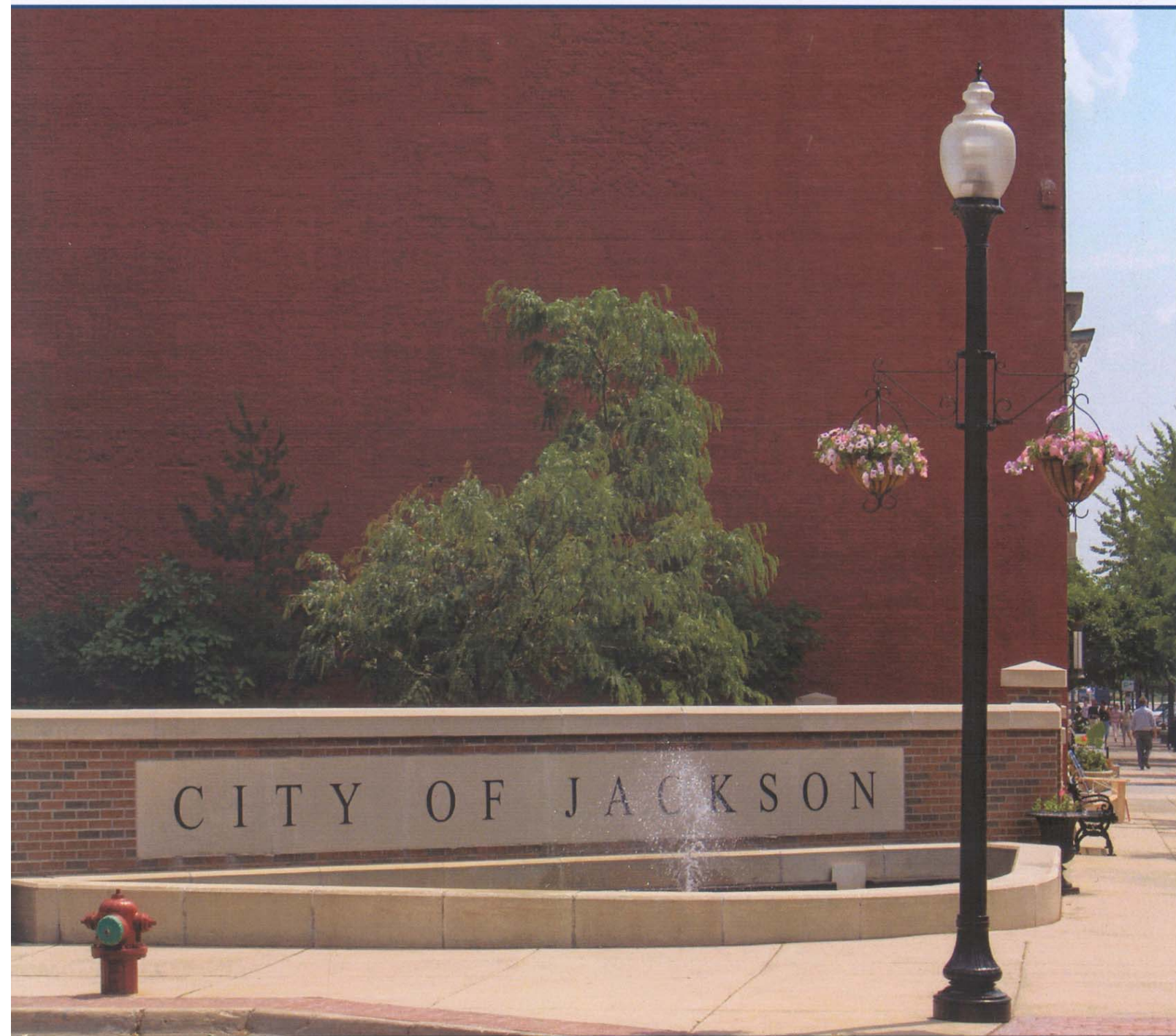
| | | | |
|--|--|---|-------------|
| Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA | | | |
| Street Address 5800 GRATIOT, PO BOX 2025 | | City SAGINAW | State MI |
| Zip 48605 | | Accountant Signature  | |



City of Jackson 2005

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2005



CITY OF JACKSON, MICHIGAN

Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2005

**Including
Single Audit Act Compliance**

Prepared by :

**Philip J. Hones, Finance Director
Steven P. Maga, Staff Accountant**

**City of Jackson, Michigan
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2005**

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INTRODUCTORY SECTION



CITY MANAGER

161 West Michigan Avenue — Jackson, Michigan 49201
Telephone: (517) 788-4035 — Facsimile: (517) 768-5820

October 31, 2005

**To the Honorable Mayor, Members of the City Council
and Citizens of the City of Jackson:**

State law requires that all local governments, subject to certain size criteria, publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Jackson for the fiscal year ended June 30, 2005.

This report consists of management's representations concerning the finances of the City of Jackson. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, City management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Rehmann Robson, P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2005 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2005 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Jackson was founded in 1829, incorporated as a city in 1857 and became a Home Rule City in 1914. It is located in south-central Michigan. The City currently has a land area of approximately 11 square miles and a population of 36,218 based on the 2000 census. The City is an industrial and commercial oriented community serving as a principal business, marketing, and cultural center for the surrounding suburban and agricultural territory. The government is empowered to levy a property tax on both real and personal property located within its boundaries.

The City operates under the Council-Manager form of government. The Mayor is elected on a non-partisan, at-large basis. The six council members are elected on a non-partisan, city ward basis. A ballot proposal passed by the voters on November 6, 2001 staggered and extended the terms of council members elected by ward to four years. The Mayor continues to serve two-year terms. The City Treasurer is also elected on a non-partisan at-large basis. This position serves a four-year term. The City Manager, City Clerk, City Assessor and City Attorney are appointed by the Council for indefinite terms and serve at the pleasure of the Council.

Policymaking and legislative authorities are vested in the City Council. The Council is responsible, among other things, for passing ordinances and resolutions; making public policy decisions; confirming the appointments of department heads; adopting annual budgets; appointing boards, commissions, and committees; approving contracts; authorizing real estate transactions; approving payments; awarding bids; selling personal property; and hiring the government's manager, clerk, assessor and attorney. The City Manager is responsible for carrying out the policies and ordinances of the Council, for supervising the day-to-day operations of the government, and for appointing the heads of the government's departments.

The City of Jackson provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets and other infrastructure; sanitary sewage treatment and disposal; water treatment and distribution; economic development; recreational activities; and cultural events.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Jackson operates.

Local economy. The City of Jackson currently enjoys a somewhat limited but gradually diversifying economy that has demonstrated growth in the last decade. Because of its central location, Jackson provides access to employment opportunities in Lansing, Battle Creek and Ann Arbor.

The local economy in Jackson County continued to have increased successes throughout late 2004 and through October 2005 as the economy continues to rise. Overall successes show that the county created 916 new jobs, retained 643 jobs and made \$69 million in new investment.

Major industries with headquarters or divisions located within the City include a statewide gas and electric utility, aerospace, automobile and industrial component manufacturers, retail sales and several financial institutions.

Longterm financial planning. The City's ad valorem taxable value has grown 10.6% annually, on average, since fiscal 2000 to nearly \$731 million, while market value has had similar gains, increasing 10.0% on average, in the same time frame, to \$1.8 billion. Additionally, both assessed value and market value can be expected to show more moderate gains in the future as new development continues and tax abatements expire and roll-on to the tax base.

In order to bolster economic growth in the city, Jackson began a process in 2000 of designating incentive zones to draw businesses inside its borders. The city formed several renaissance zones, thereby providing a tax incentive to help create new business sites and jobs. Currently, the City of Jackson has the largest Renaissance Zone development in the State of Michigan with the construction of Kinder Morgan Energy completed in July 2002 with their \$250 million state-of-the-art energy facility. Businesses that chose to reside within the incentive zones would initially be exempt from paying certain property taxes. However, the city's tax base has had significant gains in recent history, due ancillary development around the zones and the gradual expiration of property tax abatements.

Continued residential development also looks favorable for the future. The Community Development Department is promoting residential development through their Rental Rehabilitation Program and the New Neighbor Program has invested over \$ 500,000 to purchase 14 tax reverted and foreclosed homes that have been or will be ultimately rehabilitated and sold, thus providing funding for further rehabilitation. Tax incentive programs such as the Neighborhood Enterprise Zone and Obsolete Property Rehabilitation District have also encouraged nearly \$ 8 million in residential development and further development using these incentive programs are in process.

These favorable trends are counterbalanced, in large measure, however, by other factors. The increase in the assessed value of taxable property in the City has been constrained by the Headlee Amendment (which limits the annual increase in the State Equalized Value of real property) and the provisions of Proposal A (which limits increases in taxable property values to 5 percent or the rate of inflation, whichever is less). Taken together, these fiscal factors create a trend toward ever tightening budgets under which the City must operate.

Another continuing financial challenge for the City is the escalating costs of insurance - both for employees/retirees as well as property and liability. Greater revenue growth or cost containment measures will be necessary to mitigate future stress on City finances. In addition, while the State's economy has somewhat stabilized in recent months, the continued stagnant growth in the distribution of State shared revenues continues to produce a substantial amount of fiscal anxiety. Together, these two issues impose increasing burdens on the City's fiscal structure and pose a possible peril to the long-term stability of City finances.

Cash management policies and practices. The City is conservative in its approach to cash management. Generally, cash is deposited upon receipt in interest bearing accounts. Cash from various funds may then be transferred into a governmental pool in accordance with State statutes to maximize investment earnings. Investment income is allocated to the various funds based upon their respective participation. Cash that is temporarily in excess of meeting the daily cash flow demands of the City is invested in certificates of deposit with maturities ranging from 30 to 90 days, unless matched to a specific cash flow requirement, where the maturity may be longer. This is in conformity with the City's investment policy to provide the highest return with the maximum security. The City's permanent fund's cash are generally invested in U.S. government-backed securities while Pension Trust Fund assets are invested in corporate stocks and bonds, mutual funds, United States government-backed securities, cash and cash equivalents in conformance with state statute. These investments are consistent with the City's policy to minimize credit and market risk while maintaining a competitive yield on its portfolio.

Risk management Under a comprehensive plan of risk management, the City maintains property and liability insurance coverage through commercial carriers and the Michigan Municipal League insurance pools. The City currently has a self-insurance program for its workers compensation.

Pension and other postemployment benefits. The City administers three defined benefit pension plans – Employees’ Retirement System, Policemen’s and Firemen’s Pension and Policemen’s and Firemen’s Pension-Act 345 – for its full-time employees. Each year, an independent actuary is engaged by each of the three employee retirement systems and calculates the amount of the annual contribution that the City must make to each pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, the City fully funds each year’s annual required contribution to each of the pension plans as determined by the actuary. The City had succeeded as of June 30, 2004, the date of the latest actuary reports, in funding 104.8 percent, 59.7 percent and 55.5 percent, respectively, of the present value of the projected benefits earned by employees in each of the plans. The surplus/unfunded amounts are being systematically amortized over varying time periods ranging from 6 to 30 years as part of the annual required contributions calculated for each plan by the actuary.

The City also provides postretirement health care benefits for retirees and their dependents. As of the end of the current fiscal year, there were approximately 110 retired employees receiving these benefits, which are funded as incurred. GAAP do not require governments to report a liability in the financial statements in connection with an employer’s obligation to provide these benefits. Additional information on the City’s retirement system and postemployment benefits can be found in Note 4-E in the notes to the financial statements.


Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Jackson for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2004. This was the fourteenth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the City of Jackson. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Jackson’s finances.

Respectfully submitted,

A handwritten signature in black ink, reading "William R. Ross". The signature is fluid and cursive, with the first name "William" and last name "Ross" clearly legible.

William R. Ross, City Manager
City Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Jackson,
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

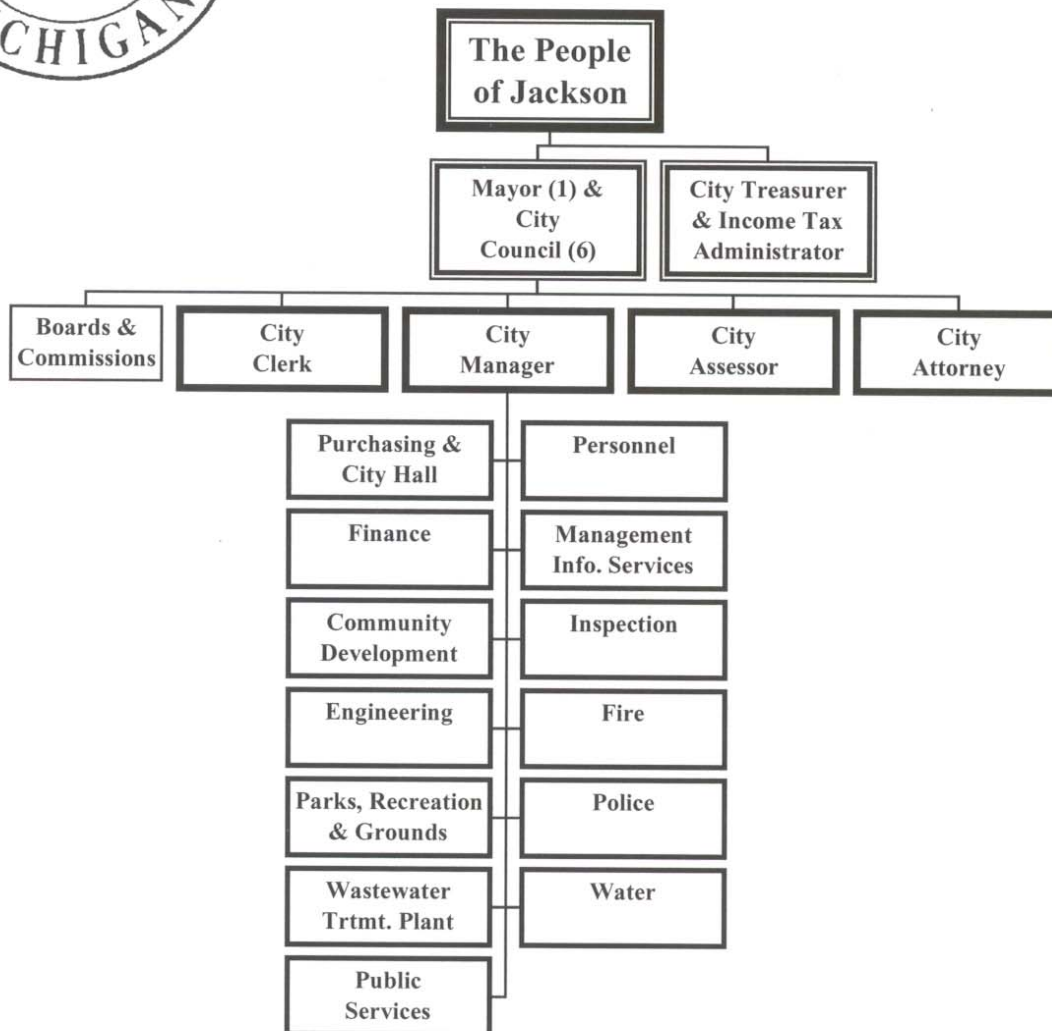
President

Jeffrey R. Enen

Executive Director



City of Jackson, Michigan Organizational Chart



City of Jackson, Michigan

List of Principal Officials



CITY COUNCIL

Martin J. Griffin, Mayor

Carl L. Breeding
William Mure
Daniel P. Greer
Sarah Mead
Andrew R. Frounfelker
Jerry F. Ludwig

1st Ward
2nd Ward
3rd Ward
4th Ward
5th Ward
6th Ward

CITY OFFICIALS

William R. Ross, City Manager

Catherine M. Brechtelsbauer
Larry Bosell
Glenn Chinavare
Jon Dowling
Lynn Fessel
Julius Giglio
Philip J. Hones
Carol Konieczki
C. Jan Markowski
Richard J. Marsh Jr.
James Parrott
Ervin L. Portis
Paul Vermaaten
Andrew J. Wrozek, Jr.

Director of Personnel
Fire Chief
Director of Public Services
City Engineer
City Clerk
City Attorney
Finance Director
Community Development Director
City Assessor
Assistant City Manager/Operations
Director of Parks, Recreation & Grounds
Police Chief
Director of Sewage Treatment Services & Facilities
City Treasurer/Income Tax Administrator

FINANCIAL SECTION



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



INDEPENDENT AUDITORS' REPORT

October 31, 2005

Honorable Mayor and
Members of the City Council
City of Jackson, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Jackson, Michigan**, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Jackson's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Jackson, Michigan, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the general fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 31, 2005, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3-14 and the GASB Statement 25 supplementary information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Jackson's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of the City of Jackson. The combining and individual nonmajor fund financial statements and schedules and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

MANAGEMENT'S DISCUSSION and ANALYSIS

Management's Discussion and Analysis

As management of the *City of Jackson, Michigan*, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-iv of this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$102,702,206 (*net assets*). Of this amount, \$21,456,044 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$4,244,247.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$12,360,431, a decrease of \$8,110,218 in comparison with the prior year. Approximately 70% of this total amount, or \$8,649,293, is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$3,129,904, or 14.4 percent of total general fund expenditures.
- The City's total bonded debt decreased by \$1,315,000 during the current fiscal year; No new debt was issued and \$1,315,000 of existing debt was retired.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include legislative, general government, public safety, public works, culture and recreation and community enrichment and development. The business-type activities of the City include the golf practice center, parking system and water and sewer operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also two legally separate authorities – the Downtown Development Authority and the Brownfield Redevelopment Authority – for which the City is financially accountable. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself. The City of Jackson Building Authority, although also legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 15-17 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains thirty-three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Major Street, Community Development Block Grant, Special Assessment Capital Projects and 2003 City Hall Construction funds, each of which are considered to be major funds. Data from the other twenty-eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 18-27 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses three major enterprise funds to account for its sanitary sewer, water distribution and parking deck operations while the operations of the City's Golf Practice Center and its remaining parking system are considered non-major and are combined into a single, aggregated presentation. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its workers compensation self-insurance and motor pool and garage operations as well as public works and engineering administration. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements. All of the City's internal service funds are non-major and individual fund data is provided in the form of *combining statements* elsewhere in this report.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewage and water operations, both of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 28-31 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 32-33 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 34-61 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This includes a schedule concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 62-64 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 65-100 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Jackson, assets exceeded liabilities by \$102,702,206 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (70 percent) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City's of Jackson's Net Assets

| | Governmental Activities | | Business-type Activities | | Total | |
|--|----------------------------|---------------------|-----------------------------|---------------------|----------------------|---------------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Current and other assets | \$22,751,255 | \$27,947,852 | \$16,891,049 | \$15,383,618 | \$39,642,304 | \$43,331,470 |
| Capital assets | 69,659,929 | 60,406,451 | 57,164,671 | 57,544,587 | 126,824,600 | 117,951,038 |
| Total assets | 92,411,184 | 88,354,303 | 74,055,720 | 72,928,205 | 166,466,904 | 161,282,508 |
| Long term liabilities outstanding | 53,336,016 | 54,240,272 | 4,708,082 | 5,304,726 | 58,044,098 | 59,544,998 |
| Other liabilities | 5,139,938 | 2,620,946 | 580,662 | 658,604 | 5,720,600 | 3,279,550 |
| Total liabilities | 58,475,954 | 56,861,218 | 5,288,744 | 5,963,330 | 63,764,698 | 62,824,548 |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 19,477,559 | 17,246,524 | 52,754,671 | 52,374,587 | 72,232,230 | 69,621,111 |
| Restricted | 7,566,923 | 5,785,257 | 1,447,009 | 1,447,009 | 9,013,932 | 7,232,266 |
| Unrestricted | 6,890,748 | 8,461,304 | 14,565,296 | 13,143,279 | 21,456,044 | 21,604,583 |
| Total Net Assets | \$33,935,230 | \$31,493,085 | \$68,766,976 | \$66,964,875 | \$102,702,206 | \$98,457,960 |

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The government's net assets increased by \$4,244,247 during the current fiscal year. The majority of this growth largely reflects the degree to which ongoing revenues exceeded ongoing expenses.

City of Jackson's Changes in Net Assets

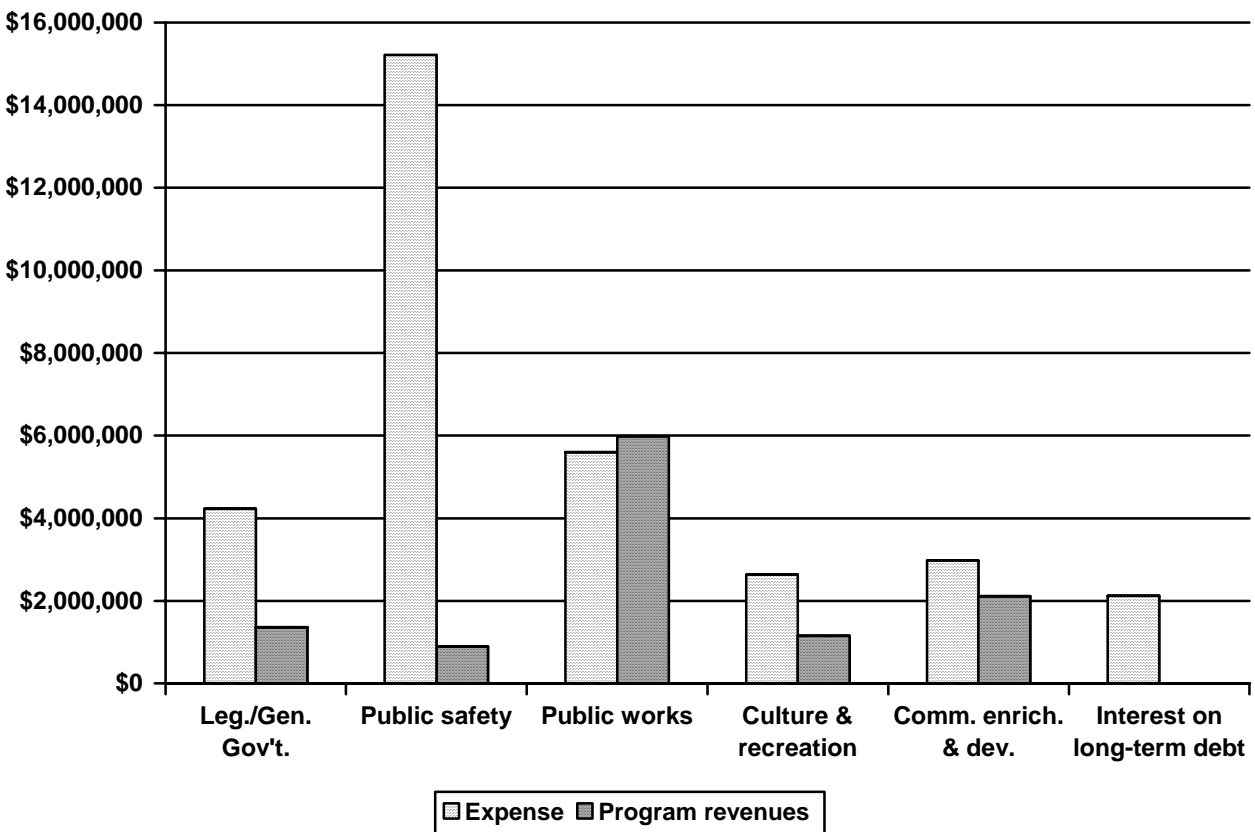
| | Governmental Activities | | Business Type Activities | | Total | |
|--|----------------------------|---------------------|-----------------------------|---------------------|----------------------|---------------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Revenue: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 3,768,592 | \$ 3,489,305 | \$11,297,270 | \$10,828,680 | \$15,065,862 | \$14,317,985 |
| Operating grants and contributions | 4,873,069 | 5,616,389 | - | - | 4,873,069 | 5,616,389 |
| Capital grants and contributions | 2,885,188 | 1,405,094 | - | 1,253,130 | 2,885,188 | 2,658,224 |
| General revenues: | | | | | | |
| Property taxes | 9,105,344 | 7,754,736 | - | - | 9,105,344 | 7,754,736 |
| Income taxes | 7,300,012 | 6,984,060 | - | - | 7,300,012 | 6,984,060 |
| Grants and contributions not restricted to specific purposes | 7,057,734 | 5,895,879 | 451,473 | 299,455 | 7,509,207 | 6,195,334 |
| Other | 344,903 | 359,894 | 249,120 | 141,311 | 594,023 | 501,205 |
| Total revenues | 35,334,842 | 31,505,357 | 11,997,863 | 12,522,576 | 47,332,705 | 44,027,933 |
| Expenses: | | | | | | |
| Legislative | 70,428 | 76,344 | | | 70,428 | 76,344 |
| General government | 4,162,208 | 4,213,894 | | | 4,162,208 | 4,213,894 |
| Public safety | 15,211,748 | 14,135,744 | | | 15,211,748 | 14,135,744 |
| Public works | 5,602,686 | 5,793,948 | | | 5,602,686 | 5,793,948 |
| Culture and recreation | 2,638,497 | 2,267,890 | | | 2,638,497 | 2,267,890 |
| Community enrichment & development | 2,977,181 | 5,133,149 | | | 2,977,181 | 5,133,149 |
| Interest on long-term debt | 2,125,358 | 1,916,025 | | | 2,125,358 | 1,916,025 |
| Golf practice center | | | 67,222 | 80,487 | 67,222 | 80,487 |
| Parking system | | | 638,752 | 589,578 | 638,752 | 589,578 |
| Sewer | | | 4,545,475 | 4,334,517 | 4,545,475 | 4,334,517 |
| Water | | | 5,048,903 | 5,130,173 | 5,048,903 | 5,130,173 |
| Total expenses | 32,788,106 | 33,536,994 | 10,300,352 | 10,134,755 | 43,088,458 | 43,671,749 |
| Increase (decrease) in net assets before transfers | 2,546,736 | (2,031,637) | 1,697,511 | 2,387,821 | 4,244,247 | 356,184 |
| Transfers | (104,591) | (105,435) | 104,591 | 105,435 | - | - |
| Increase (decrease) in net assets | 2,442,145 | (2,137,072) | 1,802,102 | 2,493,256 | 4,244,247 | 356,184 |
| Net assets – Beginning of year, as restated | 31,493,085 | 33,630,157 | 66,964,874 | 64,471,618 | 98,457,959 | 98,101,775 |
| Net assets – End of year | \$33,935,230 | \$31,493,085 | \$68,766,976 | \$66,964,874 | \$102,702,206 | \$98,457,959 |

Governmental activities. Governmental activities increased the City's net assets by \$2,442,145 during fiscal year 2005.

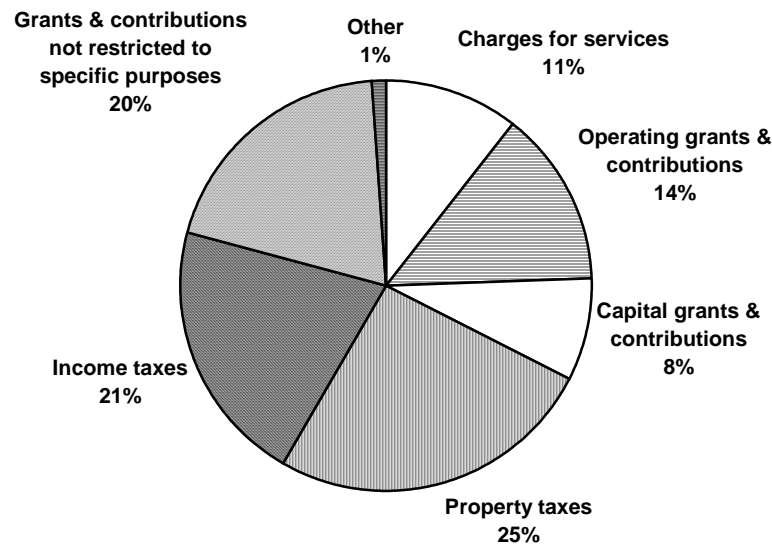
–Key elements of this increase are as follows:

- Federal grant revenues increased over \$ 1.8 million. The most significant portion of this increase is related to the funding of various construction projects in the Major Street Fund.
- Property taxes increased by approximately \$1,350,608 (17.4 percent) during the year. Most of this increase is the result of first year levy of the voted millage utilized to finance the City Hall Renovation Project (\$538,827), an increase in the Act 345 Police and Fire Pension millage of \$295,721 and an increase in the captured Brownfield tax increments of approximately \$163,000. Other increases were largely due to the increase in the tax base – largely inflationary but with some new growth as a result of new construction.
- Income taxes increased approximately \$ 316,000 (4.5 percent) due to higher employment coupled with inflationary wage increases.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities

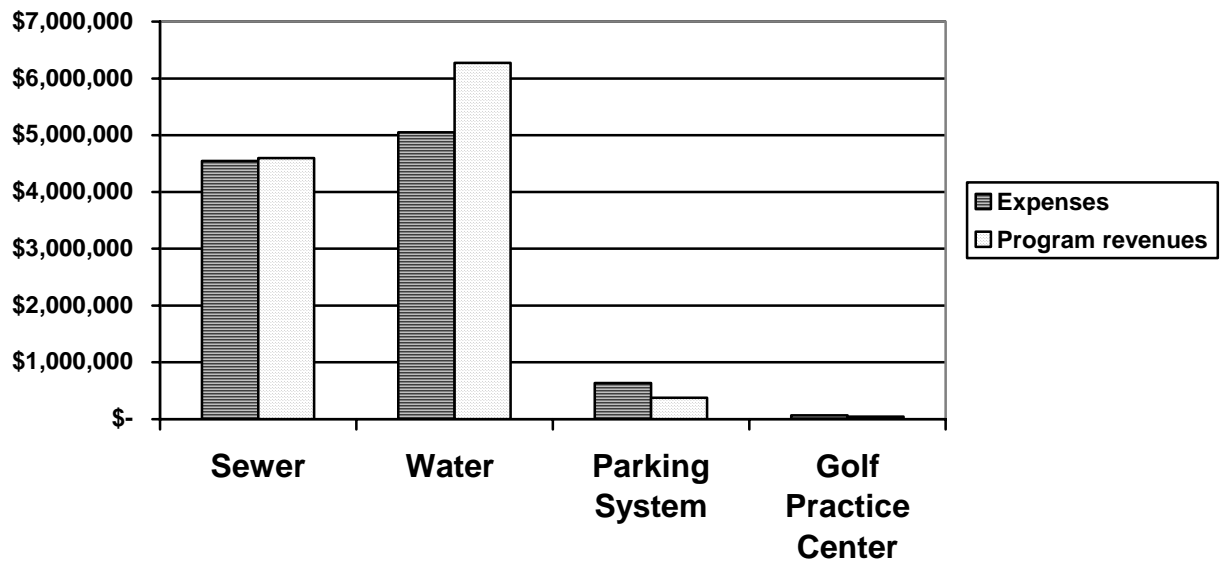


Business-type activities. Business-type activities increased the City's net assets by \$1,802,102, comprising 42% of the total increase in net assets of \$ 4,244,247.

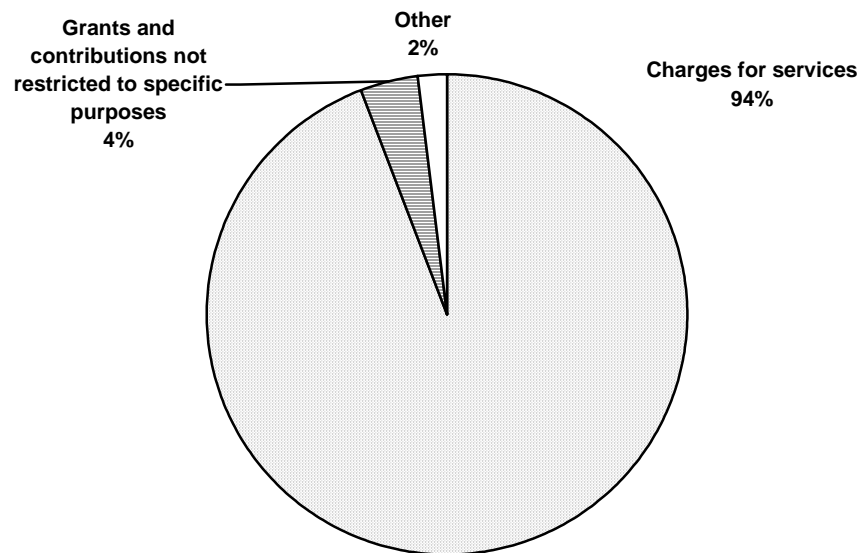
- Key elements of this increase are as follows:

- While this increase is below that of the prior fiscal year (\$2,493,256) charges for services continue to keep pace with the inflationary rise of related expenses.
- During the fiscal year water and sewer rates were increased an average of 2.56 and 2.20 percent, respectively.
- There were no capital contributions in fiscal year 2005, down from \$ 1,253,130 in the prior year when the parking decks were completed and the capitalized costs were transferred from construction in progress recorded within the government activities.
- Contributions not restricted to specific purposes increased over 50 percent, from \$299,455 to \$451,473, largely as a result of an agreement between the City's Sewage Treatment Plant and one of the bordering townships. That agreement required a one-time capital charge of \$ 190,712 to be paid by the township to the City to recover costs incurred by the City related in the creation of wastewater service capacity released to that township.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$12,360,431, a decrease of \$8,110,218 in comparison with the prior year. Approximately 70% of this total amount (\$8.65 million) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to generate income for cemetery perpetual care and endowments related to Ella Sharp Park and facilities (\$2,692,098), 2) for residential property rehabilitation programs (\$430,983), 3) for funds advanced on a long term basis from the General Fund to the Community Development Block Grant Fund (\$100,000), or 4) for inventory and prepaid expenditures (\$61,290 and \$426,767, respectively).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$3,129,904, while total fund balance was \$3,706,603. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 14.4 percent of total general fund expenditures while total fund balance represents 17.1 percent of total general fund expenditures.

The fund balance of the City's General Fund decreased by (\$281,363) during the current fiscal year. Increases in property, income taxes and miscellaneous revenues were somewhat offset by increases in certain expenditure categories, namely public safety, as well as transfers out to the Local Street Fund and Budget Stabilization Fund.

The Major Street fund has a total fund balance of \$848,532, which increased by \$345,695 during the year. Final budget estimates anticipated a larger reduction of fund balance, however, this did not materialize due to unforeseen delays attributable to certain street construction projects that will be carried over into the current fiscal year. As a result, the City is expected to use nearly the majority of this fund balance for these and other projects this current fiscal year.

The Community Development Block Grant Fund had an increase in fund balance for the current year of \$7,467 resulting in an ending total of \$430,983. This entire ending fund balance is reserved for the City's Residential Property Rehabilitation Programs.

The 2003 City Hall Construction Fund has a total fund balance of \$1,078,207. This fund was established during fiscal year 2004 following the voter-approved sale of \$10 million in bonds to renovate and reconstruct the existing city hall building. Over \$7.3 million of bond proceeds were expended in the 2005 fiscal year. The ending fund balance will be eliminated during the current fiscal year as construction is finalized.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

Unrestricted net assets of the Sewer Fund and Water Fund at the end of the year amounted to \$7,991,878 and \$5,938,118, respectively. The Sewer Fund had an increase in net assets for the year of \$492,115, whereas the Water Fund had an increase of \$1,469,069. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Differences between the original and final amended budgeted revenues were largely attributable to charges for services and income tax revenues at levels less than budgeted. The charges for services unfavorable budget variance is due to several varying line items, some of a timing nature, some related to a decline in the related service expenditure and some due merely to drops in the service level demand. Income taxes were projected to reach \$7.45 million based on trend analysis performed near the third quarter of the fiscal year, however actual revenues resulted in only \$7.3 million after fourth quarter collections fell below projections.

While General Fund actual revenues were below budgetary estimates, expenditures were less by an even greater disparity, resulting in a decrease in fund balance of only (\$281,363) that was far less than the final amended budget anticipated amount of (\$917,543) by \$636,180. Those General Fund activity budgets that were exceeded were, in most instances, due to unanticipated year-end expenditures.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of June 30, 2005, amounted to \$126,824,600 (net of accumulated depreciation). This investment in capital assets includes land, systems, land improvements, infrastructure, buildings and improvements, park and recreation facilities, machinery and equipment and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was 7.5 percent (a 15.3 percent increase for governmental activities and a 0.7 percent decrease for business-type activities).

Major capital asset events during the fiscal year included the following:

- Continuation of work of approximately \$ 7.4 million on the City Hall Renovation Project, which is being completed in the current fiscal year.
- Infrastructure additions totaling \$ 4.2 million
- Various water and sewer improvements totaling approximately \$1.8 million.

City of Jackson's Capital Assets (net of depreciation)

| | Governmental Activities | | Business Type Activities | | Total | |
|--------------------------------|----------------------------|---------------------|-----------------------------|---------------------|----------------------|----------------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Land | \$ 2,440,383 | \$ 2,440,383 | \$ 8,956,887 | \$ 8,956,887 | \$ 11,397,270 | \$ 11,397,270 |
| Systems | - | - | 31,734,099 | 31,219,473 | 31,734,099 | 31,219,473 |
| Land improvements | 15,430,510 | 15,478,934 | 1,937,248 | 2,019,269 | 17,367,758 | 17,498,203 |
| Infrastructure | 33,700,092 | 31,445,039 | - | - | 33,700,092 | 31,445,039 |
| Buildings and improvements | 3,326,206 | 3,428,070 | 11,508,241 | 11,777,600 | 14,834,447 | 15,205,670 |
| Park and recreation facilities | 3,731,330 | 3,728,642 | - | - | 3,731,330 | 3,728,642 |
| Machinery and equipment | 2,276,421 | 2,539,504 | 3,028,197 | 3,327,618 | 5,304,618 | 5,867,122 |
| Construction in progress | 8,754,988 | 1,345,879 | - | 243,740 | 8,754,988 | 1,589,619 |
| Total | \$69,659,930 | \$60,406,451 | \$57,164,672 | \$57,544,587 | \$126,824,602 | \$117,951,038 |

Additional information on the City's capital assets can be found in note 3-C on pages 47-49 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$52,988,577. Of this amount, \$49,028,577 comprises debt backed by the full faith and credit of the government. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

City of Jackson's Outstanding Debt
General Obligation and Revenue Bonds

| | Governmental Activities | | Business Type Activities | | Total | |
|--------------------------|----------------------------|----------------------|-----------------------------|---------------------|----------------------|----------------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| General obligation bonds | \$ 49,028,577 | \$ 49,688,577 | \$ - | \$ - | \$ 49,028,577 | \$ 49,688,577 |
| Special assessment bonds | - | 85,000 | - | - | - | 85,000 |
| Revenue bonds | - | - | 3,960,000 | 4,530,000 | 3,960,000 | 4,530,000 |
| Total | <u>\$ 49,028,577</u> | <u>\$ 49,773,577</u> | <u>\$ 3,960,000</u> | <u>\$ 5,205,000</u> | <u>\$ 52,988,577</u> | <u>\$ 54,303,577</u> |

The City's total bonded debt decreased by \$1,315,000 (2.4 percent) during the current fiscal year. No new debt was issued and \$1,315,000 in existing bonded debt maturities were retired.

The City has an "A-" rating from Standard & Poor's for general obligation debt. The revenue bonds of the Water Fund have been rated "A2" by Moody's and "A" by Standard & Poor's. The Sewer Fund revenue bonds were not rated.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City is \$92,551,455, which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in note 3-F on pages 51-54 of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for the 2005/06 fiscal year:

- The unemployment rate for the City is currently 7.6 percent (10/05), which is a decrease from a rate of 8.9 percent a year ago. This compares unfavorably to the state's average unemployment rate of 6.1 percent and the national average rate of 5.0 percent. While the City's unemployment rate is comparatively high, the number of unemployed has decreased from 1,650 a year ago to the current level of 1,364.
- Ad valorem taxable values have increased a modest 2.2 percent over the prior fiscal year, which includes both allowable inflationary increases (2.3 percent) as well as some slight decline in personal property values as a result of depreciation.
- Inflationary trends in the region compare favorably to national indices.

During the 2005 fiscal year, unreserved fund balance in the General Fund increased to approximately \$3.1 million. The City has appropriated approximately \$1.15 million of this amount for spending in the 2005/06 fiscal year budget. Such appropriation is intended to offset stagnant growth in state shared revenues while attempting to maintain current staffing levels and service commitments to the public.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 161 W. Michigan Avenue, Jackson, Michigan 49201.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Jackson, Michigan
Statement of Net Assets
June 30, 2005

| | Primary Government | | | Component Units | |
|--|----------------------------|-----------------------------|----------------|--|--------------------------------------|
| | Governmental Activities | Business-type Activities | Total | Brownfield Redevelopment Authority | Downtown Development Authority |
| | | | | | |
| Assets : | | | | | |
| Cash and cash equivalents | \$ 11,717,207 | \$ 14,125,748 | \$ 25,842,955 | \$ 2,145,348 | \$ 168,786 |
| Investments, at fair value | 2,563,496 | - | 2,563,496 | - | - |
| Receivables, net | 7,655,110 | 2,656,903 | 10,312,013 | - | 13,447 |
| Interfund balances | 139,378 | (139,378) | - | - | - |
| Prepays and other assets | 676,064 | 247,776 | 923,840 | - | - |
| Capital assets not being depreciated | 11,195,371 | 8,956,886 | 20,152,257 | - | - |
| Capital assets being depreciated, net | 58,464,558 | 48,207,785 | 106,672,343 | - | - |
| | | | | | |
| Total assets | 92,411,184 | 74,055,720 | 166,466,904 | 2,145,348 | 182,233 |
| Liabilities : | | | | | |
| Accounts payable and accrued liabilities | 3,954,737 | 455,662 | 4,410,399 | 107,138 | 5,198 |
| Unearned revenue | 1,185,201 | 125,000 | 1,310,201 | - | - |
| Long-term debt: | | | | | |
| Due within one year | 1,309,463 | 457,557 | 1,767,020 | - | - |
| Due in more than one year | 52,026,553 | 4,250,525 | 56,277,078 | - | - |
| | | | | | |
| Total liabilities | 58,475,954 | 5,288,744 | 63,764,698 | 107,138 | 5,198 |
| Net Assets : | | | | | |
| Invested in capital assets, net of related debt | 19,477,559 | 52,754,671 | 72,232,230 | - | - |
| Restricted for: | | | | | |
| Debt service | 30,986 | 1,447,009 | 1,477,995 | - | - |
| Capital projects | 782,335 | - | 782,335 | - | - |
| Endowments - nonexpendable | 2,692,098 | - | 2,692,098 | - | - |
| Other purposes | 4,061,504 | - | 4,061,504 | - | - |
| Unrestricted | 6,890,748 | 14,565,296 | 21,456,044 | 2,038,210 | 177,035 |
| | | | | | |
| Total net assets | \$ 33,935,230 | \$ 68,766,976 | \$ 102,702,206 | \$ 2,038,210 | \$ 177,035 |

City of Jackson, Michigan
Statement of Activities
For the Fiscal Year Ended June 30, 2005

| Functions/Programs | Expenses | Program Revenue | | | |
|--------------------------------------|---------------|----------------------|------------------------------------|----------------------------------|-----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Net Revenue (Expense) |
| Primary government : | | | | | |
| Governmental activities : | | | | | |
| Legislative | \$ 70,428 | \$ - | \$ - | \$ - | (70,428) |
| General government | 4,162,208 | 1,292,556 | 70,573 | - | (2,799,079) |
| Public safety | 15,211,748 | 690,891 | 202,709 | - | (14,318,148) |
| Public works | 5,602,686 | 260,599 | 2,854,732 | 2,874,187 | 386,832 |
| Culture and recreation | 2,638,497 | 1,157,118 | 3,079 | - | (1,478,300) |
| Community enrichment and development | 2,977,181 | 367,428 | 1,741,976 | 11,000 | (856,777) |
| Interest on long-term debt | 2,125,358 | - | - | 1 | (2,125,357) |
| Total governmental activities | 32,788,106 | 3,768,592 | 4,873,069 | 2,885,188 | (21,261,257) |
| Business-type activities : | | | | | |
| Golf practice center | 67,222 | 47,841 | - | - | (19,381) |
| Parking system | 638,752 | 378,523 | - | - | (260,229) |
| Sewer | 4,545,475 | 4,595,743 | - | - | 50,268 |
| Water | 5,048,903 | 6,275,163 | - | - | 1,226,260 |
| Total business-type activities | 10,300,352 | 11,297,270 | - | - | 996,918 |
| Total primary government | \$ 43,088,458 | \$ 15,065,862 | \$ 4,873,069 | \$ 2,885,188 | \$ (20,264,339) |
| Component units : | | | | | |
| Brownfield redevelopment | \$ 310,219 | \$ - | \$ - | \$ - | (310,219) |
| Downtown development | 161,231 | 46,591 | 37,800 | - | (76,840) |
| Total component units | \$ 471,450 | \$ 46,591 | \$ 37,800 | \$ - | (387,059) |

continued....

City of Jackson, Michigan
Statement of Activities (Concluded)
For the Fiscal Year Ended June 30, 2005

| | Primary Government | | | Component Units | |
|---|----------------------------|-----------------------------|-----------------|--|--------------------------------------|
| | Governmental Activities | Business-type Activities | Total | Brownfield Redevelopment Authority | Downtown Development Authority |
| Net revenue (expense) | \$ (21,261,257) | \$ 996,918 | \$ (20,264,339) | \$ (310,219) | \$ (76,840) |
| General revenues : | | | | | |
| Property taxes | 9,105,344 | - | 9,105,344 | 1,334,954 | 93,270 |
| Income taxes | 7,300,012 | - | 7,300,012 | - | - |
| Grants and contributions not restricted to specific purposes | 7,057,734 | 451,473 | 7,509,207 | - | 6,347 |
| Unrestricted interest earnings | 290,837 | 249,120 | 539,957 | 18,208 | 2,281 |
| Gain on sale of capital assets | 54,066 | - | 54,066 | - | - |
| Transfers | (104,591) | 104,591 | - | - | - |
| Total general revenues and transfers | 23,703,402 | 805,184 | 24,508,586 | 1,353,162 | 101,898 |
| Change in net assets | 2,442,145 | 1,802,102 | 4,244,247 | 1,042,943 | 25,058 |
| Net Assets : | | | | | |
| Beginning of year | 31,493,085 | 66,964,874 | 98,457,959 | 995,267 | 151,977 |
| End of year | \$ 33,935,230 | \$ 68,766,976 | \$ 102,702,206 | \$ 2,038,210 | \$ 177,035 |

FUND FINANCIAL STATEMENTS

City of Jackson, Michigan
Governmental Funds Balance Sheet
June 30, 2005

| | General | Major Street | Community Development Block Grant | Special Assessment Capital Projects | 2003 City Hall Construction Fund | Nonmajor Funds | Totals |
|--|--------------|-----------------|--|--|---|-------------------|---------------|
| Assets : | | | | | | | |
| Cash and cash equivalents | \$ 809,415 | \$ 383,484 | \$ 365,613 | \$ - | \$ 2,655,359 | \$ 4,523,683 | \$ 8,737,554 |
| Investments at fair value | - | - | - | - | - | 2,563,496 | 2,563,496 |
| Accounts receivables (net of allowances for uncollectibles) | 485,130 | 56,489 | - | - | - | 63,079 | 604,698 |
| Taxes receivable | 1,738,324 | - | - | - | - | - | 1,738,324 |
| Other receivables | - | - | - | 829,165 | - | 34,953 | 864,118 |
| Due from other funds | 62,200 | - | 61,666 | - | - | 37,496 | 161,362 |
| Due from other governmental units: | | | | | | | |
| State of Michigan | 2,506,439 | 449,999 | - | - | - | 111,569 | 3,068,007 |
| Federal Government | 5,650 | - | - | - | - | - | 5,650 |
| Inventories, at cost | 49,932 | - | - | - | - | 11,358 | 61,290 |
| Prepaid expenditures | 426,767 | - | - | - | - | - | 426,767 |
| Restricted assets - cash and cash equivalents | - | - | 247,326 | - | - | - | 247,326 |
| Loans receivable | - | - | 1,269,125 | - | - | - | 1,269,125 |
| Long -term advances to other funds | 100,000 | - | - | - | - | 140,000 | 240,000 |
| Total assets | \$ 6,183,857 | \$ 889,972 | \$ 1,943,730 | \$ 829,165 | \$ 2,655,359 | \$ 7,485,634 | \$ 19,987,717 |

Continued

City of Jackson, Michigan
Governmental Funds Balance Sheet (Concluded)
June 30, 2005

| | General | Major Street | Community Development Block Grant | Special Assessment Capital Projects | 2003 City Hall Construction Fund | Nonmajor Funds | Totals |
|---|--------------|-----------------|--|--|---|-------------------|---------------|
| Liabilities and Fund Balances : | | | | | | | |
| Liabilities : | | | | | | | |
| Accounts payable | \$ 674,045 | \$ 28,534 | \$ 29,130 | \$ - | \$ 1,577,152 | \$ 115,201 | \$ 2,424,062 |
| Accrued payroll | 432,701 | 12,906 | 21,288 | - | - | 40,534 | 507,429 |
| Other liabilities | 80,587 | - | - | - | - | 11,422 | 92,009 |
| Due to other funds | 56,233 | - | 1,659 | 21,761 | - | 82,331 | 161,984 |
| Deferred revenue | 1,000,000 | - | 1,360,670 | 829,165 | - | 112,813 | 3,302,648 |
| Other accrued liabilities | 233,688 | - | - | - | - | - | 233,688 |
| Long-term advances from: | | | | | | | |
| General Fund | - | - | 100,000 | - | - | - | 100,000 |
| Workers Compensation Fund | - | - | - | 805,466 | - | - | 805,466 |
| Total liabilities | 2,477,254 | 41,440 | 1,512,747 | 1,656,392 | 1,577,152 | 362,301 | 7,627,286 |
| Fund Balances (Deficit) : | | | | | | | |
| Reserved for: | | | | | | | |
| Residential property rehabilitation programs | - | - | 430,983 | - | - | - | 430,983 |
| Inventory | 49,932 | - | - | - | - | 11,358 | 61,290 |
| Prepaid expenditures | 426,767 | - | - | - | - | - | 426,767 |
| Perpetual care and endowment | | | | | | 2,692,098 | 2,692,098 |
| Advances | 100,000 | - | - | - | - | - | 100,000 |
| Unreserved: | | | | | | | |
| Designated for subsequent year's expenditures | 1,149,514 | 331,267 | - | - | - | - | 1,480,781 |
| Designated, reported in nonmajor Special revenue funds | | | | | | 256,965 | 256,965 |
| Undesignated (deficit) | 1,980,390 | 517,265 | | (827,227) | 1,078,207 | - | 2,748,635 |
| Undesignated, reported in nonmajor : | | | | | | | |
| Special revenue funds | - | - | - | - | - | 2,513,666 | 2,513,666 |
| Debt service funds | - | - | - | - | - | 30,986 | 30,986 |
| Capital projects funds | - | - | - | - | - | 1,609,562 | 1,609,562 |
| Permanent funds | - | - | - | - | - | 8,698 | 8,698 |
| Total fund balances (deficit) | 3,706,603 | 848,532 | 430,983 | (827,227) | 1,078,207 | 7,123,333 | 12,360,431 |
| Total liabilities and fund balances | \$ 6,183,857 | \$ 889,972 | \$ 1,943,730 | \$ 829,165 | \$ 2,655,359 | \$ 7,485,634 | \$ 19,987,717 |

The accompanying notes are an integral part of these financial statements.

City of Jackson, Michigan
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets
of Governmental Activities on the Statement of Net Assets
June 30, 2005

| | | |
|--|----|------------|
| Fund balances - total governmental funds | \$ | 12,360,431 |
|--|----|------------|

Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources, and therefore not reported in the funds.

| | | |
|------------------------------------|--|--------------|
| Add: capital assets | | 156,919,235 |
| Subtract: accumulated depreciation | | (87,769,585) |

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

| | | |
|-----------------------------------|--|-----------|
| Add: deferred loans receivable | | 1,269,125 |
| Add: deferred special assessments | | 848,321 |

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.

| | | |
|--|--|-----------|
| Add: net assets of governmental activities accounted for in internal service funds | | 3,462,115 |
|--|--|-----------|

Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the governmental funds.

| | | |
|---|--|--------------|
| Add: unamortized bond discount | | 142,007 |
| Subtract: bonds, contracts and loans payable | | (51,260,577) |
| Subtract: long term compensated absences | | (1,743,475) |
| Subtract: accrued interest on long-term liabilities | | (292,367) |

| | | |
|---------------------------------------|----|---|
| Net assets of governmental activities | \$ | <div style="border-top: 1px solid black; border-bottom: 3px double black;">33,935,230</div> |
|---------------------------------------|----|---|

The accompanying notes are an integral part of these financial statements.

City of Jackson, Michigan
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2005

| | General | Major Street | Community Development Block Grant | Special Assessment Capital Projects | 2003 City Hall Construction Fund | Nonmajor Funds | Totals |
|--|--------------|-----------------|--|--|---|-------------------|---------------|
| Revenues : | | | | | | | |
| Property taxes | \$ 6,543,352 | \$ - | \$ - | \$ - | \$ - | 2,482,333 | \$ 9,025,685 |
| Income taxes | 7,300,012 | - | - | - | - | - | 7,300,012 |
| Licenses and permits | 254,973 | - | - | - | - | - | 254,973 |
| Intergovernmental : | | | | | | | |
| Federal grants | 66,893 | 2,624,702 | 1,359,550 | - | - | 474,699 | 4,525,844 |
| State grants & shared revenues | 5,515,017 | 2,194,506 | - | - | - | 609,745 | 8,319,268 |
| Charges for services | 1,338,854 | - | - | - | - | 1,493,975 | 2,832,829 |
| Fines & forfeits | 258,178 | - | - | - | - | - | 258,178 |
| Special assessments | - | - | - | 241,602 | - | 7,929 | 249,531 |
| Investment income | 105,190 | - | (61,485) | - | 98,184 | 169,725 | 311,614 |
| Miscellaneous | 1,392,079 | 188,323 | 448,178 | - | - | 106,948 | 2,135,528 |
| Total revenues | 22,774,548 | 5,007,531 | 1,746,243 | 241,602 | 98,184 | 5,345,354 | 35,213,462 |
| Expenditures : | | | | | | | |
| Current : | | | | | | | |
| Legislative | 70,428 | - | - | - | - | - | 70,428 |
| General government | 4,481,144 | - | - | - | - | - | 4,481,144 |
| Public safety | 14,010,760 | - | 441,022 | - | - | 800,474 | 15,252,256 |
| Public works | 1,414,892 | 5,632,940 | - | (1) | - | 813,030 | 7,860,861 |
| Culture and recreation | 1,508,574 | - | - | - | - | 924,167 | 2,432,741 |
| Community enrichment and development | 190,797 | - | 930,929 | - | - | 694,819 | 1,816,545 |
| Capital outlay | - | - | - | - | 7,409,110 | 685,249 | 8,094,359 |
| Debt service: | | | | | | | |
| Principal retirement | - | - | - | - | - | 1,039,000 | 1,039,000 |
| Interest and fiscal charges | - | - | - | - | - | 2,243,834 | 2,243,834 |
| Total expenditures | 21,676,595 | 5,632,940 | 1,371,951 | (1) | 7,409,110 | 7,200,573 | 43,291,168 |
| Excess of revenues over (under) expenditures | 1,097,953 | (625,409) | 374,292 | 241,603 | (7,310,926) | (1,855,219) | (8,077,706) |
| Other Financing Sources (Uses) : | | | | | | | |
| Proceeds from sale of capital assets | 17,809 | - | - | - | - | 54,270 | 72,079 |
| Transfers in | 206,969 | 1,387,522 | - | - | - | 2,804,915 | 4,399,406 |
| Transfers (out) | (1,604,094) | (416,418) | (366,825) | (333,776) | - | (1,782,884) | (4,503,997) |
| Total other financing sources (uses) | (1,379,316) | 971,104 | (366,825) | (333,776) | - | 1,076,301 | (32,512) |
| Net change in fund balances | (281,363) | 345,695 | 7,467 | (92,173) | (7,310,926) | (778,918) | (8,110,218) |
| Fund Balances (Deficit) - Beginning of year | 3,987,966 | 502,837 | 423,516 | (735,054) | 8,389,133 | 7,902,251 | 20,470,649 |
| Fund Balances (Deficit) - End of year | \$ 3,706,603 | \$ 848,532 | \$ 430,983 | \$ (827,227) | \$ 1,078,207 | \$ 7,123,333 | \$ 12,360,431 |

The accompanying notes are an integral part of these financial statements.

City of Jackson, Michigan
Reconciliation of the Statement of Revenue, Expenditures
and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2005

Net change in fund balances - total governmental funds \$ (8,110,218)

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

| | |
|--|-------------|
| Add: capital outlay | 12,036,893 |
| Add: gain on sale of capital assets | 54,066 |
| Subtract: proceeds from sale of capital assets | (72,079) |
| Subtract: depreciation expense | (2,627,945) |

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

| | |
|---|----------|
| Add: current year special assessment revenue earned greater than receipts | 79,659 |
| Subtract: current year loan receivable receipts | (80,750) |

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

| | |
|--|-----------|
| Add: principal payments on long-term liabilities | 1,039,000 |
|--|-----------|

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

| | |
|---|-----------|
| Add: decrease in accrued interest payable on bonds | 125,238 |
| Subtract: amortization of bond discount | (6,762) |
| Subtract: increase in the accrual of compensated absences | (127,185) |

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.

| | |
|--|--------|
| Add: interest revenue from governmental internal service funds | 68,709 |
| Add: net operating income from governmental activities accounted for in internal service funds | 63,519 |

| | |
|---|--------------|
| Change in net assets of governmental activities | \$ 2,442,145 |
|---|--------------|

The accompanying notes are an integral part of these financial statements.

City of Jackson, Michigan
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Amended Budget and Actual
For the Fiscal Year Ended June 30, 2005
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

| | 2005 | | | | | |
|---------------------------------|--------------------|-----------------|--------------|--|----------------|--|
| | Original Budget | Final Budget | Actual | Actual Over (Under) Final Budget | 2004 Actual | |
| Revenues : | | | | | | |
| Property taxes | \$ 6,439,173 | \$ 6,456,537 | \$ 6,543,352 | \$ 86,815 | \$ 6,023,451 | |
| Income taxes | 7,175,000 | 7,450,000 | 7,300,012 | (149,988) | 6,984,060 | |
| Licenses & permits | 220,950 | 260,850 | 254,973 | (5,877) | 216,538 | |
| Intergovernmental: | | | | | | |
| Federal grants | 16,222 | 149,774 | 66,893 | (82,881) | 91,973 | |
| State shared revenues & grants | 5,565,742 | 5,603,709 | 5,515,017 | (88,692) | 5,677,601 | |
| Charges for services | 1,498,093 | 1,512,893 | 1,338,854 | (174,039) | 1,441,380 | |
| Fines & forfeits | 259,500 | 255,514 | 258,178 | 2,664 | 264,746 | |
| Investment income | 110,000 | 105,000 | 105,190 | 190 | 73,972 | |
| Miscellaneous | 137,732 | 1,418,136 | 1,392,079 | (26,057) | 402,960 | |
| Total revenues | 21,422,412 | 23,212,413 | 22,774,548 | (437,865) | 21,176,681 | |
| Expenditures : | | | | | | |
| Current: | | | | | | |
| Legislative : | | | | | | |
| City Council | 72,390 | 71,547 | 70,428 | (1,119) | 76,344 | |
| General Government : | | | | | | |
| City Manager | 389,815 | 417,503 | 409,199 | (8,304) | 438,012 | |
| City Clerk - Elections | 112,447 | 121,076 | 103,062 | (18,014) | 104,984 | |
| Finance | 372,524 | 370,024 | 368,852 | (1,172) | 353,542 | |
| City Assessor | 383,963 | 375,894 | 361,954 | (13,940) | 360,415 | |
| City Attorney | 421,715 | 397,591 | 389,354 | (8,237) | 403,987 | |
| City Clerk | 194,915 | 190,471 | 188,952 | (1,519) | 184,750 | |
| Personnel | 319,587 | 315,526 | 293,205 | (22,321) | 291,417 | |
| Purchasing | 153,602 | 152,469 | 148,035 | (4,434) | 161,470 | |
| City Treasurer | 284,754 | 324,254 | 318,084 | (6,170) | 263,609 | |
| City Income Tax Administration | 236,950 | 233,950 | 201,525 | (32,425) | 253,216 | |
| Management Information Services | 271,262 | 272,067 | 248,933 | (23,134) | 407,733 | |
| City Hall & Grounds | 354,623 | 410,167 | 419,385 | 9,218 | 299,640 | |
| Cemeteries | 387,970 | 402,161 | 407,666 | 5,505 | 382,338 | |
| Hearing Bureau | - | 20,000 | 5,475 | (14,525) | - | |
| Unallocated | 654,474 | 822,808 | 617,463 | (205,345) | 461,585 | |
| | 4,538,601 | 4,825,961 | 4,481,144 | (344,817) | 4,366,698 | |
| Public Safety : | | | | | | |
| Police : | | | | | | |
| General | 7,785,590 | 8,025,559 | 7,833,623 | (191,936) | 7,380,865 | |
| Youth Services Unit | 264,750 | 264,750 | 244,575 | (20,175) | 201,611 | |
| Resident Officer | 264,673 | - | - | - | 236,880 | |
| NFBP Grant | - | 52,491 | 15,599 | (36,892) | 44,741 | |
| STEP Grant | 755 | 36,756 | 36,756 | - | 47,097 | |
| JCCAE Grant | 5,755 | 7,083 | 6,516 | (567) | 7,783 | |
| MCOLES Training | - | - | 8,490 | 8,490 | 675 | |
| In-Service Training | 14,834 | 16,674 | 16,674 | - | 7,740 | |
| Consortium Training | - | 20,402 | 3,605 | (16,797) | - | |
| Fire : | | | | | | |
| Administration | 327,401 | 254,801 | 241,281 | (13,520) | 263,632 | |

City of Jackson, Michigan
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Amended Budget and Actual (Continued)
For the Fiscal Year Ended June 30, 2005
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

| | 2005 | | | | | 2004 Actual |
|---|--------------------|-------------------|-------------------|--|-------------------|----------------|
| | Original Budget | Final Budget | Actual | Actual Over (Under) Final Budget | | |
| Expenditures (concluded): | | | | | | |
| Current (concluded) : | | | | | | |
| Public Works : | | | | | | |
| Tax Property Maintenance | \$ 74,350 | \$ 66,156 | \$ 36,507 | \$ (29,649) | \$ 67,561 | |
| Civic Affairs | 145,142 | 106,336 | 84,144 | (22,192) | 103,563 | |
| Drains at Large | 83,925 | 77,093 | 67,599 | (9,494) | 58,614 | |
| Storm Drain Construction | 98,000 | 61,864 | 7,858 | (54,006) | 46,320 | |
| Grounds Maintenance | 209,587 | 189,199 | 172,120 | (17,079) | 300,140 | |
| Sidewalk Construction | 261,050 | 253,650 | 102,402 | (151,248) | 123,642 | |
| Street Lighting | 377,362 | 385,129 | 380,818 | (4,311) | 353,530 | |
| Forestry | 499,941 | 530,827 | 551,875 | 21,048 | 610,131 | |
| Weed Control | 50,562 | 22,862 | 8,727 | (14,135) | 21,914 | |
| Emergency Equipment | 7,734 | 7,412 | 2,842 | (4,570) | 4,774 | |
| | <u>1,807,653</u> | <u>1,700,528</u> | <u>1,414,892</u> | <u>(285,636)</u> | <u>1,690,189</u> | |
| Culture & Recreation : | | | | | | |
| Parks & Recreation Administration | 648,210 | 653,180 | 646,807 | (6,373) | 623,014 | |
| Recreation - Millage Programs | 145,000 | 154,428 | 133,980 | (20,448) | 167,537 | |
| Parks & Facilities Maintenance | 497,512 | 497,512 | 499,867 | 2,355 | 509,562 | |
| Lt. Nixon Memorial Pool | 170,486 | 170,486 | 131,713 | (38,773) | 139,405 | |
| Sharp Park Swimming Pool | 118,321 | 119,721 | 96,207 | (23,514) | 107,635 | |
| Total Culture & Recreation | <u>1,579,529</u> | <u>1,595,327</u> | <u>1,508,574</u> | <u>(86,753)</u> | <u>1,547,153</u> | |
| Community Enrichment & Development : | | | | | | |
| Planning | 99,768 | 99,568 | 113,457 | 13,889 | 141,175 | |
| DDA and Equity Grants | 37,800 | 37,800 | 37,800 | - | 37,800 | |
| Historical District | 38,381 | 38,374 | 36,025 | (2,349) | 48,363 | |
| Human Relations | 8,606 | 12,313 | 3,515 | (8,798) | 27,442 | |
| Total Community Enrichment & Development | <u>184,555</u> | <u>188,055</u> | <u>190,797</u> | <u>2,742</u> | <u>254,780</u> | |
| Total General Fund Expenditures | <u>22,432,379</u> | <u>22,847,496</u> | <u>21,676,595</u> | <u>(1,170,901)</u> | <u>21,142,478</u> | |
| Excess of revenues over (under) expenditures | <u>(1,009,967)</u> | <u>364,917</u> | <u>1,097,953</u> | <u>733,036</u> | <u>34,203</u> | |

continued...

City of Jackson, Michigan
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Amended Budget and Actual (Concluded)
For the Fiscal Year Ended June 30, 2005
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

| | 2005 | | | | | 2004 Actual |
|---|--------------------|-----------------|--------------|--|----|----------------|
| | Original Budget | Final Budget | Actual | Actual Over (Under) Final Budget | | |
| Other Financing Sources (Uses) : | | | | | | |
| Proceeds from sale of capital assets | \$ 15,760 | \$ 15,760 | \$ 17,809 | \$ 2,049 | \$ | 10,624 |
| Transfers in : | | | | | | |
| Public Improvement Fund | 188,000 | 151,864 | 82,662 | (69,202) | | 68,589 |
| Budget Stabilization Fund | 15,000 | 15,000 | 11,158 | (3,842) | | 7,253 |
| Community Development Block Grant Fund | 91,062 | 25,000 | 57,673 | 32,673 | | 131,000 |
| Cemetery Perpetual Maintenance Fund | 65,000 | 70,000 | 55,476 | (14,524) | | 64,992 |
| Transfers (out) : | | | | | | |
| Local Street Fund | - | (250,000) | (250,000) | - | | (5,000) |
| Housing Initiative Fund | (50,000) | (70,000) | (70,000) | - | | (50,000) |
| Land Acquisition Fund | - | - | - | - | | (150,000) |
| Local Law Enforcement Block Grant Fund | - | (3,675) | (3,675) | - | | (7,003) |
| Capital Projects Fund | - | (22,850) | (29,124) | (6,274) | | - |
| Ella W. Sharp Park Operating | - | - | (60,000) | (60,000) | | (18,500) |
| Building Department | (230,621) | (197,264) | (175,000) | 22,264 | | (70,000) |
| Budget Stabilization Fund | - | (1,000,000) | (1,000,000) | - | | - |
| Parking Assessment Fund | (18,880) | (16,295) | (16,295) | - | | (18,880) |
| Total other financing sources (uses) | 75,321 | (1,282,460) | (1,379,316) | (96,856) | | (36,925) |
| Net change in fund balances | (934,646) | (917,543) | (281,363) | 636,180 | | (2,722) |
| Fund Balance - Beginning of Year | 3,987,966 | 3,987,966 | 3,987,966 | - | | 3,990,688 |
| Fund Balance - End of Year | \$ 3,053,320 | \$ 3,070,423 | \$ 3,706,603 | \$ 636,180 | \$ | 3,987,966 |

City of Jackson, Michigan
Major Street Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Amended Budget and Actual
For the Fiscal Year Ended June 30, 2005
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

| | 2005 | | | | |
|--|--------------------|-----------------|--------------|--|----------------|
| | Original Budget | Final Budget | Actual | Actual Over (Under) Final Budget | 2004 Actual |
| Revenues : | | | | | |
| Intergovernmental : | | | | | |
| Federal grants | \$ 1,020,663 | \$ 3,050,078 | \$ 2,624,702 | \$ (425,376) | \$ 473,007 |
| State grants | - | - | (1,587) | (1,587) | 227,106 |
| Gas & weight tax distribution | 1,932,790 | 1,950,337 | 1,995,245 | 44,908 | 2,078,020 |
| Trunkline maintenance reimbursement | 184,269 | 184,269 | 200,848 | 16,579 | 185,710 |
| Miscellaneous | 43,000 | 172,408 | 188,323 | 15,915 | 212,984 |
| Total revenues | 3,180,722 | 5,357,092 | 5,007,531 | (349,561) | 3,176,827 |
| Expenditures : | | | | | |
| Current : | | | | | |
| Public works | | | | | |
| Street construction | 571,782 | 453,093 | 450,625 | (2,468) | 1,109,655 |
| Street maintenance | 570,000 | 577,500 | 549,501 | (27,999) | 618,932 |
| Bridge maintenance | 36,681 | 20,990 | 11,510 | (9,480) | 9,537 |
| Bridge construction | 162,760 | 158,041 | 127,251 | (30,790) | 30,623 |
| Traffic services | 538,443 | 532,023 | 518,087 | (13,936) | 519,213 |
| Winter maintenance | 380,000 | 281,000 | 273,140 | (7,860) | 327,393 |
| Trunkline maintenance | 184,269 | 184,269 | 183,479 | (790) | 173,155 |
| State highway construction | 1,222,000 | 4,056,927 | 3,519,347 | (537,580) | 732,527 |
| Total expenditures | 3,665,935 | 6,263,843 | 5,632,940 | (630,903) | 3,521,035 |
| Excess of revenues over (under) expenditures | (485,213) | (906,751) | (625,409) | 281,342 | (344,208) |
| Other Financing Sources (Uses) : | | | | | |
| Transfers in : | | | | | |
| Community Development Block Grant Fund | - | 180,069 | 180,069 | - | 219,931 |
| Special Assessment Capital Projects Fund | 122,500 | 259,416 | 259,417 | 1 | 192,703 |
| Public Improvement Fund | 450,000 | 717,992 | 717,992 | - | 182,008 |
| 2001 DDA TIF Capital Projects Fund | - | - | - | - | 60,000 |
| Major/Local Streets Capital Projects | 213,360 | 225,234 | 230,044 | 4,810 | 351,338 |
| Transfers (out) : | | | | | |
| Michigan Transportation Debt Service Fund | (266,618) | (266,618) | (266,418) | 200 | (161,276) |
| State Infrastructure Loan Debt Service Fund | - | - | - | - | (181,661) |
| Local streets | (150,000) | (150,000) | (150,000) | - | (100,000) |
| Total other financing sources (uses) | 369,242 | 966,093 | 971,104 | 5,011 | 563,043 |
| Net change in fund balances | (115,971) | 59,342 | 345,695 | 286,353 | 218,835 |
| Fund Balance - Beginning of Year | 502,837 | 502,837 | 502,837 | - | 284,002 |
| Fund Balance - End of Year | \$ 386,866 | \$ 562,179 | \$ 848,532 | \$ 286,353 | \$ 502,837 |

City of Jackson, Michigan
Community Development Block Grant Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Amended Budget and Actual
For the Fiscal Year Ended June 30, 2005
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

| | 2005 | | | | |
|---|--------------------|-----------------|--------------|--|----------------|
| | Original Budget | Final Budget | Actual | Actual Over (Under) Final Budget | 2004 Actual |
| Revenues : | | | | | |
| Intergovernmental - Federal grants | \$ 3,765,106 | \$ 3,765,106 | \$ 1,359,550 | \$ (2,405,556) | \$ 1,383,026 |
| Investment income | (37,805) | (37,805) | (61,485) | (23,680) | 5,316 |
| Miscellaneous | (70,422) | (70,422) | 448,178 | 518,600 | 537,598 |
| Total revenues | 3,656,879 | 3,656,879 | 1,746,243 | (1,910,636) | 1,925,940 |
| Expenditures : | | | | | |
| Current : | | | | | |
| Public safety : | | | | | |
| Code enforcement | 812,203 | 812,203 | 441,022 | (371,181) | 470,966 |
| Community enrichment & development | | | | - | |
| Rehabilitation | 1,605,938 | 1,605,938 | 544,522 | (1,061,416) | 374,510 |
| Rehab Loans | 9,786 | 9,786 | 130 | (9,656) | 202,869 |
| Public services | 195,957 | 195,957 | 96,134 | (99,823) | 85,357 |
| Administration | 635,857 | 635,857 | 250,241 | (385,616) | 295,965 |
| Economic development | 16,500 | 16,500 | 16,500 | - | 548,789 |
| Paint program | 14,999 | 14,999 | 620 | (14,379) | - |
| Street construction - special assessments | 6,171 | 6,171 | - | (6,171) | 2,829 |
| Jackson Affordable Housing | 58,188 | 58,188 | 22,782 | (35,406) | 11,439 |
| Total expenditures | 3,355,599 | 3,355,599 | 1,371,951 | (1,983,648) | 1,992,724 |
| Excess of revenues over expenditures | 301,280 | 301,280 | 374,292 | 73,012 | (66,784) |
| Other Financing Uses : | | | | | |
| Transfers (out) : | | | | | |
| General Fund | (57,673) | (57,673) | (57,673) | - | (131,000) |
| Capital Projects | (1,659) | (1,659) | (1,659) | - | (153,168) |
| Major Street Fund | (180,069) | (180,069) | (180,069) | - | (219,931) |
| Local Street Fund | - | - | - | - | (12,466) |
| Debt Service Fund | (127,424) | (127,424) | (127,424) | - | (130,278) |
| Total other financing sources (uses) | (366,825) | (366,825) | (366,825) | - | (646,843) |
| Net change in fund balances | (65,545) | (65,545) | 7,467 | 73,012 | (713,627) |
| Fund Balance - Beginning of Year | 423,516 | 423,516 | 423,516 | - | 1,137,143 |
| Fund Balance - End of Year | \$ 357,971 | \$ 357,971 | \$ 430,983 | \$ 73,012 | \$ 423,516 |

City of Jackson, Michigan
Statement of Fund Net Assets - Proprietary Funds
June 30, 2005

| | Enterprise Funds - Business-type Activities | | | | | Governmental Activities |
|--|---|--------------|--------------|----------------|---------------|-------------------------|
| | Sewage | Water | Parking Deck | Nonmajor Funds | Totals | |
| Assets : | | | | | | |
| Current Assets : | | | | | | |
| Cash and cash equivalents | \$ 7,195,445 | \$ 4,573,263 | \$ 507,935 | \$ 402,096 | \$ 12,678,739 | \$ 2,732,327 |
| Receivables (net of allowances for uncollectibles) : | | | | | | |
| Accounts | 1,003,564 | 1,653,339 | - | - | 2,656,903 | 105,188 |
| Due from other funds | - | - | - | 622 | 622 | - |
| Inventories | - | 247,776 | - | - | 247,776 | - |
| Prepaid items | - | - | - | - | - | 46,000 |
| Restricted cash and cash equivalents - bond reserve | 199,000 | 492,000 | - | - | 691,000 | - |
| Restricted cash and cash equivalents - bond redemption | 267,900 | 488,109 | - | - | 756,009 | - |
| Total current assets | 8,665,909 | 7,454,487 | 507,935 | 402,718 | 17,031,049 | 2,883,515 |
| Noncurrent Assets : | | | | | | |
| Long-term advances | - | - | - | - | - | 805,466 |
| Special Assessment Capital Projects Fund | | | | | | |
| Capital assets | | | | | | |
| Land and land improvements | 185,960 | 156,457 | 8,668,666 | 2,756,544 | 11,767,627 | - |
| Buildings | 249,947 | 595,682 | 11,539,323 | - | 12,384,952 | - |
| Systems | 31,976,962 | 29,077,879 | - | - | 61,054,841 | - |
| Equipment | 8,947,470 | 1,186,098 | - | - | 10,133,568 | 3,239,581 |
| Less : Accumulated depreciation | 41,360,339 | 31,016,116 | 20,207,989 | 2,756,544 | 95,340,988 | 3,239,581 |
| Net capital assets | 24,319,993 | 12,790,320 | 525,886 | 540,118 | 38,176,317 | 2,729,301 |
| Total noncurrent assets | 17,040,346 | 18,225,796 | 19,682,103 | 2,216,426 | 57,164,671 | 510,280 |
| Total noncurrent assets | 17,040,346 | 18,225,796 | 19,682,103 | 2,216,426 | 57,164,671 | 1,315,746 |
| Total assets | 25,706,255 | 25,680,283 | 20,190,038 | 2,619,144 | 74,195,720 | 4,199,261 |
| | | | | | | -Continued |

City of Jackson, Michigan
Statement of Fund Net Assets - Proprietary Funds (Concluded)
June 30, 2005

| | Enterprise Funds - Business-type Activities | | | | | Governmental Activities | |
|--|---|---------------|---------------|----------------|---------------|-------------------------|------------------|
| | Sewage | Water | Parking Deck | Nonmajor Funds | | | Internal Service |
| | | | | Totals | | | |
| Liabilities : | | | | | | | |
| Current Liabilities : | | | | | | | |
| Accounts payable | \$ 61,969 | \$ 203,961 | \$ 1,521 | \$ 4,470 | \$ 271,921 | \$ 98,292 | |
| Accrued payroll | 36,911 | 60,916 | 95 | 4,267 | 102,189 | 28,571 | |
| Accrued compensated absences | 10,847 | 26,710 | - | - | 37,557 | 11,775 | |
| Customer deposits | - | 81,552 | - | - | 81,552 | - | |
| Deferred revenue | - | - | 125,000 | - | 125,000 | - | |
| Current portion of long-term debt | 175,000 | 195,000 | - | 50,000 | 420,000 | - | |
| Total current liabilities | 284,727 | 568,139 | 126,616 | 58,737 | 1,038,219 | 138,638 | |
| | | | | | | | |
| Non-Current Liabilities : | | | | | | | |
| Long term advance from Ella W. Sharp Park Endowment Fund | - | - | - | 140,000 | 140,000 | - | |
| Estimated claims payable | - | - | - | - | - | 512,007 | |
| Revenue bonds payable | 1,125,000 | 2,465,000 | - | - | 3,590,000 | - | |
| Installment purchase contract payable | - | - | - | 400,000 | 400,000 | - | |
| Accrued compensated absences | 97,404 | 163,121 | - | - | 260,525 | 86,501 | |
| Total non-current liabilities | 1,222,404 | 2,628,121 | - | 540,000 | 4,390,525 | 598,508 | |
| | | | | | | | |
| Total liabilities | 1,507,131 | 3,196,260 | 126,616 | 598,737 | 5,428,744 | 737,146 | |
| | | | | | | | |
| Net Assets : | | | | | | | |
| Invested in capital assets, net of related debt | 15,740,346 | 15,565,796 | 19,682,103 | 1,766,426 | 52,754,671 | 510,280 | |
| Restricted for : | | | | | | | |
| Bond reserve | 199,000 | 492,000 | - | - | 691,000 | - | |
| Bond and interest redemption | 267,900 | 488,109 | - | - | 756,009 | - | |
| Unrestricted | 7,991,878 | 5,938,118 | 381,319 | 253,981 | 14,565,296 | 2,951,835 | |
| | | | | | | | |
| Total Net Assets | \$ 24,199,124 | \$ 22,484,023 | \$ 20,063,422 | \$ 2,020,407 | \$ 68,766,976 | \$ 3,462,115 | |

The accompanying notes are an integral part of these financial statements.

City of Jackson, Michigan
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds
For the Fiscal Year Ended June 30, 2005

| | Enterprise Funds - Business-type Activities | | | | | Governmental Activities |
|--|---|---------------|---------------|----------------|---------------|-------------------------|
| | Sewage | Water | Parking Deck | Nonmajor Funds | Totals | |
| Operating Revenues: | | | | | | |
| Charges for sales and services | \$ 4,595,743 | \$ 6,102,420 | \$ 250,005 | \$ 176,359 | \$ 11,124,527 | \$ 2,234,301 |
| Administrative fees | - | 172,743 | - | - | 172,743 | - |
| Other | 310,406 | 141,067 | - | - | 451,473 | 97,909 |
| Total operating revenues | 4,906,149 | 6,416,230 | 250,005 | 176,359 | 11,748,743 | 2,332,210 |
| Operating Expenses: | | | | | | |
| Personal services | 1,312,431 | 2,047,058 | 25,657 | 90,521 | 3,475,667 | 1,107,661 |
| Administration | - | - | - | - | - | 170,181 |
| Materials and supplies | 272,320 | 883,570 | - | 6,754 | 1,162,644 | 294,094 |
| Contractual and other services | 1,759,690 | 1,282,250 | 98,060 | 131,365 | 3,271,365 | 255,978 |
| Benefit payments | - | - | - | - | - | 296,556 |
| Equipment | - | - | - | - | - | 936 |
| Depreciation | 1,131,534 | 698,682 | 262,943 | 64,896 | 2,158,055 | 143,285 |
| Total operating expenses | 4,475,975 | 4,911,560 | 386,660 | 293,536 | 10,067,731 | 2,268,691 |
| Operating income (loss) | 430,174 | 1,504,670 | (136,655) | (117,177) | 1,681,012 | 63,519 |
| Non-operating Revenues (Expenses): | | | | | | |
| Investment income | 131,441 | 101,742 | 8,400 | 7,537 | 249,120 | 68,709 |
| Interest and fiscal charges | (69,500) | (137,343) | - | (25,778) | (232,621) | - |
| Total non-operating revenues (expenses) | 61,941 | (35,601) | 8,400 | (18,241) | 16,499 | 68,709 |
| Income (loss) before transfers | 492,115 | 1,469,069 | (128,255) | (135,418) | 1,697,511 | 132,228 |
| Transfers In: | | | | | | |
| Transfers In - General Fund | - | - | - | 16,295 | 16,295 | - |
| Transfers In - Special Assessment Capital Projects | - | - | - | 58,525 | 58,525 | - |
| Transfers In - Cuijs Endowment | - | - | - | 779 | 779 | - |
| Transfers In - DDA Capital Projects | - | - | - | 28,992 | 28,992 | - |
| Total transfers in | - | - | - | 104,591 | 104,591 | - |
| Change in net assets | 492,115 | 1,469,069 | (128,255) | (30,827) | 1,802,102 | 132,228 |
| Net Assets - Beginning of Year | 23,707,009 | 21,014,954 | 20,191,677 | 2,051,234 | 66,964,874 | 3,329,887 |
| Net Assets - End of Year | \$ 24,199,124 | \$ 22,484,023 | \$ 20,063,422 | \$ 2,020,407 | \$ 68,766,976 | \$ 3,462,115 |

The accompanying notes are an integral part of these financial statements.

City of Jackson, Michigan
Statement of Cash Flows - Proprietary Funds
For the Fiscal Year Ended June 30, 2005

| | Enterprise Funds - Business-type Activities | | | | | Governmental Activities |
|--|---|---------------------|----------------|--------------------|----------------------|-------------------------|
| | Sewage | Water | Parking Deck | Nonmajor Funds | Totals | Internal Service |
| Cash flows from operating activities | | | | | | |
| Payments to employees | \$ (1,307,570) | \$ (2,040,262) | (25,639) | \$ (88,731) | \$ (3,462,202) | \$ (1,048,899) |
| Payments to vendors and claimants | (2,001,512) | (2,096,257) | (98,434) | (138,084) | (4,334,287) | (938,473) |
| Receipts from customers and users | 4,924,539 | 6,165,160 | 250,005 | 176,359 | 11,516,063 | - |
| Receipts for interfund services provided | - | - | - | - | - | 2,305,377 |
| Net cash provided by (used in) operating activities | 1,615,457 | 2,028,641 | 125,932 | (50,456) | 3,719,574 | 318,005 |
| Cash flows from capital and related financing activities | | | | | | |
| Purchase of capital assets | (366,628) | (1,411,509) | - | - | (1,778,137) | (5,828) |
| Principal and interest paid on long-term debt | (218,961) | (557,343) | - | (75,778) | (852,082) | - |
| Principal and interest paid on advance | - | - | - | - | - | (88,077) |
| Net cash provided by (used in) capital and related financing activities | (585,589) | (1,968,852) | - | (75,778) | (2,630,219) | (93,905) |
| Cash flows from non-capital financing activities | | | | | | |
| Transfers in | - | - | - | 104,591 | 104,591 | - |
| Cash flows from investing activities | | | | | | |
| Interest received on investments | 131,441 | 101,742 | 8,400 | 7,537 | 249,120 | 68,709 |
| Net increase (decrease) in cash and cash equivalents | 1,161,309 | 161,531 | 134,332 | (14,106) | 1,443,066 | 292,809 |
| Cash and cash equivalents, beginning of year | 6,501,036 | 5,391,841 | 373,603 | 416,202 | 12,682,682 | 2,439,518 |
| Cash and cash equivalents, end of year | \$ 7,662,345 | \$ 5,553,372 | 507,935 | \$ 402,096 | \$ 14,125,748 | \$ 2,732,327 |
| Statement of Net Assets Classification of Cash | | | | | | |
| Cash and cash equivalents | \$ 7,195,445 | \$ 4,573,263 | 507,935 | \$ 402,096 | \$ 12,678,739 | \$ 2,732,327 |
| Restricted cash and cash equivalents | 466,900 | 980,109 | - | - | 1,447,009 | - |
| | \$ 7,662,345 | \$ 5,553,372 | 507,935 | \$ 402,096 | \$ 14,125,748 | \$ 2,732,327 |
| Reconciliation of operating income to net cash provided by operating activities | | | | | | |
| Operating income (loss) | \$ 430,174 | \$ 1,504,670 | (136,655) | \$ (117,177) | \$ 1,681,012 | \$ 63,519 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | | | |
| Depreciation | 1,131,534 | 698,682 | 262,943 | 64,896 | 2,158,055 | 143,285 |
| (Increase) decrease in: | | | | | | |
| Accounts receivable | 18,390 | (41,904) | - | - | (23,514) | (26,833) |
| Inventories | - | (40,996) | - | - | (40,996) | - |
| Increase (decrease) in: | | | | | | |
| Accounts payable | 30,498 | (5,745) | (356) | 1,491 | 25,888 | 60,125 |
| Accrued payroll | (5,379) | (6,796) | - | 334 | (11,841) | (23,273) |
| Accrued compensated absences | 10,240 | 13,116 | - | - | 23,356 | 11,165 |
| Customer deposits | - | (92,386) | - | - | (92,386) | - |
| Estimated claims payable | - | - | - | - | - | 90,017 |
| Net cash provided by (used in) operating activities | \$ 1,615,457 | \$ 2,028,641 | 125,932 | \$ (50,456) | \$ 3,719,574 | \$ 318,005 |

The accompanying notes are an integral part of these financial statements.

City of Jackson, Michigan
Statement of Fiduciary Net Assets - Fiduciary Funds
June 30, 2005

| | Pension Trust Funds | Agency Funds |
|--------------------------------------|------------------------------------|----------------------------|
| Assets : | | |
| Cash and cash equivalents | \$ 2,450,235 | \$ 2,004,150 |
| Investments, at fair value | | |
| Domestic mutual funds (fixed income) | 13,501,240 | - |
| U.S. Government obligations | 3,294,530 | - |
| Domestic corporate bonds | 5,957,168 | - |
| Domestic stocks | 20,322,989 | - |
| Domestic mutual funds (equities) | 14,522,711 | - |
| International stocks | 2,456,402 | - |
| International bonds | 644,786 | - |
| Receivables : | | |
| Interest and dividends | 101,476 | - |
| Other | 510,144 | - |
| | <hr/> | <hr/> |
| Total assets | 63,761,681 | <u><u>\$ 2,004,150</u></u> |
| Liabilities : | | |
| Accounts payable | - | \$ (1,242) |
| Refunds payable and other | 236,226 | - |
| Due to other governments | - | 1,964,847 |
| Other liabilities | - | 40,545 |
| | <hr/> | <hr/> |
| Total liabilities | 236,226 | <u><u>\$ 2,004,150</u></u> |
| Net Assets : | | |
| Restricted for retirement systems | <u><u>\$ 63,525,455</u></u> | |

The accompanying notes are an integral part of these financial statements.

City of Jackson, Michigan
Statement of Changes in Plan Net Assets
Pension Trust Funds
For the Fiscal Year Ended June 30, 2005

| | Pension Trust Funds |
|--|------------------------------------|
| Additions | |
| Contributions : | |
| Employer | \$ 3,480,980 |
| Plan member | 937,308 |
| | <hr/> |
| Total contributions | 4,418,288 |
| | <hr/> |
| Investment income : | |
| Net appreciation in fair value of investments | 2,286,364 |
| Interest | 1,055,815 |
| Dividends | 249,084 |
| | <hr/> |
| | 3,591,263 |
| Less investment expense | 233,386 |
| | <hr/> |
| Net investment income | 3,357,877 |
| | <hr/> |
| Total additions | 7,776,165 |
| | <hr/> |
| Deductions | |
| Benefits | 6,034,253 |
| Refunds of contributions | 118,790 |
| Administrative expense | 131,188 |
| | <hr/> |
| Total deductions | 6,284,231 |
| | <hr/> |
| Net increase in net assets | 1,491,934 |
| Net assets : | |
| Beginning of year | <hr/> 62,033,521 |
| | <hr/> |
| End of year | <hr/> \$ 63,525,455 |
| | <hr/> |

The accompanying notes are an integral part of these financial statements

NOTES to the FINANCIAL STATEMENTS

City of Jackson, Michigan

Notes to Financial Statements

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City of Jackson, Michigan

Notes To Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Jackson, Michigan have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

1-A. Reporting Entity

The City of Jackson, Michigan (the "City") was incorporated in 1857 and is the seat of Jackson County. The City operates under a Council-Manager form of government and provides the following services: public safety, public works, community development, culture and recreation.

The City of Jackson has followed the guidelines of the Governmental Standards Board's Statement No. 14. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. Each blended or discretely presented component unit has a June 30 year end.

Blended component units, although legally separate entities, are essentially part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column on the combined financial statements to emphasize it is legally separate from the government.

Blended Component Unit - All Board Members of the City of Jackson Building Authority are selected by the City Council and the annual budget is approved by the City Commission. Proceeds from a limited-tax full faith and credit general obligation bond issue are used to finance certain improvements and renovations in City Hall. The Authority's activity is presented in the capital projects and debt service funds.

Discretely Presented Component Units:

City of Jackson Brownfield Redevelopment Authority – The Brownfield Redevelopment Authority was established by the City to facilitate the revitalization of environmentally distressed areas utilizing tax increment financing. The majority of Board members are appointed by the Mayor and subject to City Council approval. The City has the ability to significantly influence operations and has accountability for financial matters. Separate financial statements are not prepared. The Authority uses governmental fund type accounting and is reported in a separate column. The Brownfield Redevelopment Authority is accounted for in a capital projects fund.

City of Jackson Downtown Development Authority - The Downtown Development Authority is responsible for directing improvements in a taxing district within the City. The Mayor appoints the members of the Authority's governing board, subject to City Council approval. The City has the ability to significantly influence operations and has accountability for financial matters. The Authority uses governmental fund type accounting and is reported in a separate column.

Complete financial statements of the Downtown Development Authority may be obtained as follows:

City of Jackson Downtown Development Authority
212 W. Michigan Ave.
Jackson, Michigan 49201

City of Jackson, Michigan

Notes To Financial Statements

1-B. Basis of Presentation

Government-wide Financial Statements. The statements of net assets and activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the City's *governmental* and *business-type activities*. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – *governmental*, *proprietary* and *fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

General fund. This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major street special revenue fund. This fund is used to control the expenditure of motor fuel taxes which are earmarked by law for major street and highway purposes.

Community development block grant special revenue fund. This fund accounts for grants under the Housing and Community Development Act of 1974, as amended. The Act provides for a series of grants over a period of years to be used for various community development activities.

Special assessment capital projects fund. This fund is used to account for public improvement expenditures deemed to benefit only the properties against which the special assessments are levied.

2003 City hall construction capital projects fund. This fund is used to account for the receipt and expenditure of series 2003 and 2003B general obligation debt issued to finance renovations and repairs to the City Hall building as approved by the voters in September 2003.

City of Jackson, Michigan

Notes To Financial Statements

The City reports the following major enterprise funds:

Sewage enterprise fund. This fund accounts for the activities of the City's sewage disposal and sewage treatment systems.

Water enterprise fund. This fund accounts for the operations of the City's water distribution and water treatment systems.

Parking deck enterprise fund. This fund accounts for the operations of the City's East and West parking deck structures as well as surface parking constructed on Water Street.

Additionally, the City reports the following fund types:

Special revenue funds. These funds account for revenue sources that are legally restricted to expenditures for specific purposes not including trust or major capital projects.

Debt service funds. These funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Capital projects funds. These funds account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.

Permanent funds. These funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs.

Enterprise funds. These funds account for those operations that are financed and operated in a manner similar to private business or where the City has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Internal service funds. These funds account for operations that provide services to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. This includes workers' compensation self-insurance; data processing equipment; motor pool and garage, and public works administration and engineering.

Pension trust funds. These funds account for the activities of the City's three retirement funds, which accumulate resources for retirement benefit payments to qualified employees.

Agency funds. These funds account for assets held for other governments in an agency capacity.

1-C. Measurement Focus / Basis of Accounting

Government-wide, Proprietary and Fiduciary Fund Financial Statements. The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

City of Jackson, Michigan

Notes To Financial Statements

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Property taxes, franchise taxes, licenses and interest are considered to be susceptible to accrual.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases, if any, are reported as other financing sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

All governmental and business-type activities and proprietary funds of the City follow private-sector standards of accounting and financial reporting issued prior to December 1, 1989, unless those standards conflict with guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

1-D. Assets, Liabilities and Equity

Deposits and Investments

The City maintains an investment pool for all City funds. Each fund's portion of the investment pool is displayed on the statement of net assets/balance sheet as "pooled cash and investments". The cash resources of the Police and Fire Retirement System Trust Fund are invested separately.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

City of Jackson, Michigan

Notes To Financial Statements

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments. The State's Pension Investment Act, as amended, authorizes the pension trust fund, to invest in common stocks, real estate, and various other investment instruments, subject to certain limitations.

Investments are stated at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Investments that do not have established market values are reported at estimated fair value. Cash deposits are reported at carrying amounts, which reasonably approximates fair value.

Unrealized appreciation or depreciation on pension trust and permanent fund investments due to changes in fair value are recognized each year.

Receivables and Payables

All trade and delinquent property tax receivables are shown net of an allowance for uncollectibles, as applicable.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either *interfund receivables/payables* (i.e., the current portion of interfund loans) or *advances to/from other funds* (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as *due to/from other funds*. Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as *internal balances*.

Inventories, Prepaid Items and Other Assets

All inventories are valued at cost using the first-in/first-out method. Inventories of governmental funds are recorded as expenditures when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

City of Jackson, Michigan

Notes To Financial Statements

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|--------------------------------|--------------|
| Public domain infrastructure | 16-50 |
| Land improvements | 50 |
| Buildings and improvements | 50 |
| Park and recreation facilities | 50 |
| Machinery and equipment | 5-15 |
| Water and wastewater systems | 10-50 |

Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and compensatory time benefits, subject to certain limitations. Certain bargaining unit employees are also permitted to accumulate earned but unused sick leave. All vacation and compensatory time pay and 50 percent of sick leave are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

City of Jackson, Michigan

Notes To Financial Statements

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Fund balance designations represent tentative management plans that are subject to change.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

2-A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at year end, except for those approved by the City Council for carry forward.

The City Council requires the City Manager to submit an estimate of revenues and anticipated expenditures for the succeeding fiscal year in June. The City Manager is then authorized to assign and transfer budget amounts within each fund to the extent that the net total fund appropriation (which the City defines as gross authorized expenditures less related revenues that are specifically designated to fund those activities) is not exceeded.

An operating budget is adopted each fiscal year for the General and Special Revenue Funds on a basis consistent with generally accepted accounting principles (GAAP). Budgets are legally required for the General and Special Revenue Funds. Budgetary control is exercised at the activity level within the General Fund and the Community Development Block Grant Fund (Special Revenue) and on the fund level for all other funds. Accordingly, financial statement presentation is made on this basis. City Commission resolution is required to increase activity budget amounts within the General Fund and the Community Development Block Grant Fund (Special Revenue) and any supplemental appropriations that increase the total expenditures of any other fund. Management can make budget transfers between line items within an activity for the General Fund and the Community Development Block Grant Fund (Special Revenue) and between line items for the fund as a whole for other funds.

Council reported budgeted amounts are as originally adopted or are amended by department revision or resolution. Supplemental budgetary appropriations (immaterial) were made during the year.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other firm commitments are used for the expenditure of monies is utilized as an extension of formal budgetary control in the governmental funds. Encumbered amounts lapse at year-end, however, material encumbrances generally are reappropriated as part of the following year's budget. These material encumbrances outstanding at year-end are reported as reservations of fund balance since they do not constitute expenditures nor liabilities. No such commitments existed at June 30, 2005.

City of Jackson, Michigan

Notes To Financial Statements

2-B. Excess of Expenditures Over Appropriations

Excess of expenditures over appropriations in individual funds are as follows:

| <u>Fund/Activity</u> | <u>Budget</u> | <u>Actual</u> |
|----------------------------------|---------------|---------------|
| General Fund: | | |
| City Hall and Grounds | \$ 410,167 | \$ 419,385 |
| Cemeteries | 402,161 | 407,666 |
| MCOLS Training | - | 8,490 |
| Training | 188,350 | 192,972 |
| Forestry | 530,287 | 551,875 |
| Parks and Facilities Maintenance | 497,512 | 499,867 |
| Planning | 99,568 | 113,457 |
| Transfers out | 1,560,084 | 1,604,044 |

2-C. Fund Deficit

At June 30, 2005, the Special Assessment Capital Projects Fund had a fund deficit of \$827,227. This deficit will be eliminated as deferred special assessments become due.

NOTE 3 – DETAILED NOTES ON ALL FUNDS

3-A. Deposits and Investments

Summary of Deposit and Investment Balances. Following is a reconciliation of deposit and investment balances as of June 30, 2005:

| | <u>Primary Government</u> | <u>Component Units</u> | <u>Total</u> |
|---|-------------------------------|----------------------------|-----------------------------|
| Statement of Net Assets: | | | |
| Cash and cash equivalents | \$ 25,842,955 | \$ 2,314,134 | \$ 28,157,089 |
| Investments | 2,563,496 | - | 2,563,496 |
| Statement of Fiduciary Net Assets: | | | |
| Cash and cash equivalents | 2,004,150 | - | 2,004,150 |
| Cash and cash equivalents – pension | 2,450,235 | - | 2,450,235 |
| Investments -pension | <u>60,699,826</u> | <u>-</u> | <u>60,699,826</u> |
| Total | <u>\$ 93,560,662</u> | <u>\$ 2,314,134</u> | <u>\$ 95,874,796</u> |

City of Jackson, Michigan

Notes To Financial Statements

Deposits and Investments:

| | |
|---|---------------|
| Bank deposits (checking accounts, savings accounts and CDs) | \$ 19,453,196 |
| Investments in securities and mutual funds – general | 13,254,767 |
| Investments in securities and mutual funds – pension trust funds | 63,150,061 |
| Cash on hand | <u>16,772</u> |

Total **\$ 95,874,796**

Custodial Credit Risk - Deposits. For deposits, custodial credit risk is the risk, that in the event of a bank failure, the City's deposits may not be returned to the government. As of June 30, 2005, \$19,043,691 of the City's total bank balance of \$20,208,245 (total book balance was \$19,453,196) was exposed to custodial credit risk as it was uninsured and uncollateralized.

The City's investment policy does not specifically address this risk, although the City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk - Investments. Following is a summary of the City's investments as of June 30, 2005:

| | |
|--------------------------|-----------------------------|
| U.S. treasuries | \$ 1,428,584 |
| Domestic corporate bonds | 86,841 |
| Domestic equities | 14,250 |
| Money markets | <u>11,725,092</u> |
| Total | <u>\$ 13,254,767</u> |

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that investment securities be held in third-party safekeeping by a designated institution and that the safekeeping agent follow the procedure of delivery vs. payment. As of June 30, 2005, none of the City's investments, excluding the money market accounts which are not subject to custodial credit risk, were exposed to risk since the securities are held in the City's name by the counterparty.

Credit Risk. The City held investments in U.S. treasuries and money market funds, which are not rated. All of the City's investments comply with its policy regarding the types of investments it may hold. For the domestic corporate bonds held at June 30, 2005, \$5,093 were rated A, \$76,957 were rated BB and \$4,791 were rated BBB by Standard & Poor's.

City of Jackson, Michigan

Notes To Financial Statements

Concentration of Credit Risk. The City's investment policy does not address this risk. At June 30, there were no concentrations in securities of any one issuer greater than 5% of investment fair market value.

Interest Rate Risk. As of June 30, 2005, maturities of the City's debt securities were as follows:

| | <u>Fair Value</u> | <u>Than 1</u> | <u>1-5</u> | <u>6-10</u> | <u>Than 10</u> |
|------------------------------|----------------------------|--------------------|----------------------------|-------------------------|--------------------|
| U.S. treasuries | \$ 1,428,584 | \$ - | \$ 1,428,584 | \$ - | \$ - |
| Domestic corporate bonds | <u>86,841</u> | <u>-</u> | <u>14,795</u> | <u>72,046</u> | <u>-</u> |
| Total debt securities | <u>\$ 1,515,425</u> | <u>\$ -</u> | <u>\$ 1,443,379</u> | <u>\$ 72,046</u> | <u>\$ -</u> |

The City's investment policy does not address interest rate risk.

Deposits and Investments – Pension Trust Fund

The City maintains three pension trust funds (the "pension trust funds") (See note 4-E) where deposits and investments are maintained separately from the City's pooled cash and investments, and are subject to separate investment policies and state statutes. Accordingly, the required disclosures for the pension trust funds' deposits and investments are presented separately.

Deposits - The System does not maintain any checking or other demand/time deposit accounts. Amounts reported as cash and cash equivalents in the statement of plan net assets are composed entirely of short-term investments in money market accounts.

Investments - The Michigan Public Employees Retirement Systems' Investment Act, Public Act 314 of 1965, as amended, authorizes the pension trusts to invest in stocks, government and corporate securities, mortgages, real estate, and various other investment instruments, subject to certain limitations. The Retirement Boards have the responsibility and authority to oversee the investment portfolio. Various professional investment managers are contracted to assist in managing the pension trust funds' assets. All investment decisions are subject to Michigan law and the investment policy established by each respective Retirement Board.

City of Jackson, Michigan

Notes To Financial Statements

The pension trust funds' investments are held in a bank-administered trust fund. Following is a summary of the System's investments as of June 30, 2005:

| | |
|--|-----------------------------|
| Investments at fair value, as determined | |
| by quoted market price: | |
| U.S. treasuries | \$ 3,166,959 |
| U.S. agencies | 127,571 |
| Domestic corporate securities: | |
| Index mutual fund | 13,501,240 |
| Corporate bonds | 5,957,168 |
| Domestic equities: | |
| Mutual fund | 14,522,711 |
| Corporate stocks | 20,322,989 |
| International bonds | 644,786 |
| International equities | <u>2,456,402</u> |
| Total investments | <u>\$ 60,699,826</u> |

In addition to the above, the System has short-term investments of \$2,450,235 as of June 30, 2005 held entirely in money market funds.

Credit Risk. The pension trust funds' investment policy provides that its investments in fixed income securities should have an investment grade rating by two nationally recognized statistical rating organizations. As of June 30, 2005, the System's investments in securities of U.S. agencies were all rated AAA by Standard & Poor's. The System's investments in corporate securities (domestic and international) were rated by Standard & Poor's as follows:

| | |
|-----|----------------------------|
| AAA | \$ 93,324 |
| AA | 1,173,109 |
| A | 2,230,919 |
| BBB | 2,647,441 |
| BB | <u>457,161</u> |
| | <u>\$ 6,601,954</u> |

Custodial Credit Risk. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The pension trust funds' investment policy requires that investment securities be held in trust by a third-party institution in the fund's name. As such, although uninsured and unregistered, the pension trust funds' investments are not exposed to custodial credit risk since the securities are held by the counterparty's trust department in the pension trust funds' name.

Short-term investments in money market funds are not subject to custodial credit risk.

City of Jackson, Michigan

Notes To Financial Statements

Concentration of Credit Risk. The pension trust funds' investment policies require that the securities of any one company or government agency should not exceed 5% of the total investment market value of each individual pension trust fund. At June 30, 2005, there were no concentrations in securities of any one issuer greater than 5% of investment fair market value.

Interest Rate Risk. As of June 30, 2005, maturities of the pension trust funds' debt securities were as follows:

| | Fair Value | Investment Maturities (fair value by years) | | | |
|--|---------------------|--|---------------------|---------------------|---------------------|
| | | Less Than 1 | 1-5 | 6-10 | More Than 10 |
| U.S. treasuries | \$ 3,166,959 | \$ 430,054 | \$ 795,004 | \$ 650,410 | \$ 1,291,491 |
| U.S. agencies | 127,571 | - | - | - | 127,571 |
| Corporate domestic & international bonds | 6,601,954 | 40,390 | 927,485 | 1,1101,605 | 4,532,474 |
| Total debt securities | \$ 9,896,484 | \$ 470,444 | \$ 1,722,489 | \$ 1,752,015 | \$ 5,951,536 |

The pension trust funds' investment policies do not address interest rate risk.

3-B. Receivables

Receivables in the governmental activities are 40 percent due from other governments, 9 percent accounts receivable, 23 percent income taxes, 11 percent special assessments, and 17 percent loans receivable. 80 percent of the special assessment receivables are not expected to be collected within one year. Business-type activities receivables are 100 percent due from customers. Loans receivable consists of \$1,269,125 in long-term loans due from local businesses related to economic development projects, of which \$1,188,375 in loans are not expected to be collected within one year.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

| | <u>Unavailable</u> | <u>Unearned</u> | <u>Total</u> |
|--|----------------------------|---------------------------|----------------------------|
| Special assessments not yet due (debt service and capital projects funds) | \$ 848,322 | \$ - | \$ 848,322 |
| Grant/agreement drawdowns prior to meeting all eligibility requirements | - | 1,185,201 | 1,185,201 |
| Long term loans receivable | <u>1,269,125</u> | <u>-</u> | <u>1,269,125</u> |
| | <u>\$ 2,117,447</u> | <u>\$1 185,201</u> | <u>\$ 3,302,648</u> |

City of Jackson, Michigan

Notes To Financial Statements

3-C. Capital Assets

Capital assets activity for the year ended June 30, 2005, was as follows:

Primary government

Governmental Activities:

| | Balance July 1 2004 | Additions | Deductions | Balance June 30 2005 |
|---|---------------------------|---------------------|------------------|----------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 2,440,383 | \$ - | \$ - | \$ 2,440,383 |
| Construction in progress | 1,345,879 | 7,409,109 | - | 8,754,988 |
| Subtotal | 3,786,262 | 7,409,109 | - | 11,195,371 |
| Capital assets being depreciated: | | | | |
| Infrastructure | 103,679,253 | 4,226,550 | - | 107,905,803 |
| Land improvements | 15,728,248 | 16,183 | - | 15,744,431 |
| Buildings and improvements | 6,709,988 | - | - | 6,709,988 |
| Park and recreation facilities | 7,821,956 | 101,804 | - | 7,923,760 |
| Machinery and equipment | 10,773,630 | 289,074 | 383,242 | 10,679,462 |
| Subtotal | 144,713,075 | 4,633,611 | 383,242 | 148,963,444 |
| Accumulated depreciation | | | | |
| Infrastructure | 72,234,214 | 1,971,497 | - | 74,205,711 |
| Land improvements | 249,314 | 64,607 | - | 313,921 |
| Buildings and improvements | 3,281,918 | 101,864 | - | 3,383,782 |
| Park and recreation facilities | 4,093,314 | 99,117 | - | 4,192,431 |
| Machinery and equipment | 8,234,126 | 534,144 | 365,229 | 8,403,041 |
| Total accumulated depreciation | 88,092,886 | 2,771,229 | 365,229 | 90,498,886 |
| Total capital assets being depreciated - net | 56,620,189 | 1,862,382 | 18,013 | 58,464,558 |
| Governmental activities capital assets - net | \$ 60,406,451 | \$ 9,271,491 | \$ 18,013 | \$69,659,929 |

City of Jackson, Michigan

Notes To Financial Statements

Business-type activities

| | Balance July 1 2004 | Additions | Deductions | Balance June 30 2005 |
|--|---------------------------|---------------------|-------------------|----------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 8,956,886 | \$ - | \$ - | \$ 8,956,886 |
| Construction in progress | 243,740 | - | 243,740 | - |
| Subtotal | 9,200,626 | - | 243,740 | 8,956,886 |
| Capital assets being depreciated: | | | | |
| Systems | 59,047,885 | 2,006,958 | - | 61,054,843 |
| Land improvements | 2,437,627 | - | - | 2,437,627 |
| Buildings and improvements | 12,741,667 | - | - | 12,741,667 |
| Machinery and equipment | 10,135,045 | 14,922 | - | 10,149,967 |
| Subtotal | 84,362,224 | 2,021,880 | - | 86,384,104 |
| Accumulated depreciation | | | | |
| Systems | 27,828,412 | 1,492,332 | - | 29,320,744 |
| Land improvements | 418,358 | 82,021 | - | 500,379 |
| Buildings and improvements | 964,067 | 269,359 | - | 1,233,426 |
| Machinery and equipment | 6,807,427 | 314,343 | - | 7,121,770 |
| Total accumulated depreciation | 36,018,264 | 2,158,055 | - | 38,176,319 |
| Total capital assets being depreciated - net | 48,343,960 | (136,175) | - | 48,207,785 |
| Business-type activities capital assets - net | \$ 57,544,586 | \$ (136,175) | \$ 243,740 | \$ 57,164,671 |

City of Jackson, Michigan

Notes To Financial Statements

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

| | |
|--|----------------|
| General government | \$ 55,293 |
| Public safety | 270,653 |
| Public works, including depreciation of general infrastructure assets | 2,057,919 |
| Culture and recreation | 209,145 |
| Community enrichment and development | 34,934 |
| Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets | <u>143,285</u> |

Total depreciation expense - governmental activities **\$ 2,771,229**

Business-type activities:

| | |
|---------------------------|----------------|
| Golf practice center | \$ 17,836 |
| Automobile parking system | 47,060 |
| Parking deck | 262,943 |
| Sewage | 1,131,534 |
| Water | <u>698,682</u> |

Total depreciation expense - business-type activities **\$ 2,158,055**

3-D. Payables

Payables in the governmental activities are 64 percent vendors, 13 percent claims, 14 percent accrued payroll, 7 percent interest, and 2 percent other. Business-type activities payables are 60 percent vendors, 18 percent deposits and 22 percent accrued payroll.

City of Jackson, Michigan

Notes To Financial Statements

3-E. Interfund Receivables, Payables and Transfers

At June 30, 2005, interfund receivables and payables were as follows:

| Receivable Fund | Payable Fund | | | | | | | | Total |
|---|------------------|-----------------------------------|---------------------------|--------------------------------|-----------------|-----------------|-----------------------------------|-------------------------------------|-------------------|
| | General Fund | 1996 Special Assessment Bond Debt | 2001 DDA TIF Debt Service | Cemetery Perpetual Maintenance | Cuiss Endowment | CDBG HOME Grant | Community Development Block Grant | Special Assessment Capital Projects | |
| General Fund | \$ - | \$ 6,724 | \$ - | \$ 55,476 | \$ - | \$ - | \$ - | \$ - | \$ 62,200 |
| Downtown Development Authority Project | - | - | 18,901 | - | - | - | - | - | 18,901 |
| Ella W. Sharp Park Golf Practice Center | - | - | - | - | 622 | - | - | - | 622 |
| Community Development Block Grant | 39,522 | - | - | - | - | 383 | - | 21,761 | 61,666 |
| Capital Projects | - | - | - | - | - | - | 1,659 | - | 1,659 |
| Ella W. Sharp Endowment | - | - | - | - | 225 | - | - | - | 225 |
| City Hall Debt Service | 16,711 | - | - | - | - | - | - | - | 16,711 |
| | <u>\$ 56,233</u> | <u>\$ 6,724</u> | <u>\$ 18,901</u> | <u>\$ 55,476</u> | <u>\$ 847</u> | <u>\$ 383</u> | <u>\$ 1,659</u> | <u>\$ 21,761</u> | <u>\$ 161,984</u> |

At June 30, 2005, interfund advances were as follows:

| Receivable Fund | Payable Fund | | | |
|------------------------------|-----------------------------------|---|-------------------------------------|---------------------|
| | Community Development Block Grant | Ella W. Sharp Park Golf Practice Center | Special Assessment Capital Projects | Total |
| General Fund | \$ 100,000 | \$ - | \$ - | \$ 100,000 |
| Ella W. Sharp Park Endowment | - | 140,000 | - | 140,000 |
| Workers' Compensation | - | - | 805,466 | 805,466 |
| | <u>\$ 100,000</u> | <u>\$ 140,000</u> | <u>\$ 805,466</u> | <u>\$ 1,045,466</u> |

The City has interfund balances between many of its funds. The sum of all balances presented in the tables above agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds and proprietary funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The advance from the Ella Sharp Endowment Fund was executed in order to assist the cash position (cash flow) of the enterprise golf practice center activities. Also, an advance from the Worker's Compensation Internal Service Fund was used to provide cash for special assessment capital projects activities.

City of Jackson, Michigan

Notes To Financial Statements

For the year then ended, interfund transfers consisted of the following:

| Transfer Out Fund | Transfer In Fund | | | | |
|-----------------------------|-------------------|---------------------|-----------------------------|---------------------------|---------------------|
| | General Fund | Major Street | Nonmajor Governmental Funds | Nonmajor Enterprise Funds | Total |
| General Fund | \$ - | \$ - | \$ 1,587,799 | \$ 16,295 | \$ 1,604,094 |
| Major Street | - | - | 416,418 | - | 416,418 |
| Community Development | | | | | |
| Block Grant | 57,673 | 180,069 | 129,083 | - | 366,825 |
| Special Assessment | | | | | |
| Capital Projects | - | 259,417 | 15,834 | 58,525 | 333,776 |
| Nonmajor Governmental Funds | 149,296 | 948,036 | 655,781 | 29,771 | 1,782,884 |
| | \$ 206,969 | \$ 1,387,522 | \$ 2,804,915 | \$ 104,591 | \$ 4,503,997 |

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

3-F. Long-term Debt

General obligation bonds. The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are issued as 10 to 20-year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

| <u>Purpose</u> | <u>Fiscal Year Due</u> | <u>Interest Rates</u> | <u>Amount</u> |
|--|------------------------|-----------------------|-----------------------------|
| Governmental activities | | | |
| 1998 building authority limited tax | 2013 | 4.5% | \$ 515,000 |
| 1999 building authority limited tax | 2019 | 5.25% | 500,000 |
| 1998 Michigan Transportation Fund | 2008 | 4.5% | 355,000 |
| 2001 Downtown Development | 2026 | 3.70% - 5.75% | 17,528,577 |
| 2002 Brownfield Redevelopment | 2030 | 4.00% - 5.38% | 18,500,000 |
| 2003 General obligation unlimited tax | 2027 | 2.00% - 5.25% | 8,240,000 |
| 2003 (series b) General obligation unlimited tax | 2027 | 3.00% - 4.70% | 1,750,000 |
| 2003 Michigan Transportation Fund | 2013 | 2.00% - 3.20% | 1,640,000 |
| | | | <u>\$ 49,028,577</u> |

City of Jackson, Michigan

Notes To Financial Statements

Annual debt service requirements to maturity for general obligation bonds are as follows:

| <u>Year</u> | <u>Governmental Activities</u> | |
|-------------|--------------------------------|-----------------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2006 | \$ 765,000 | \$ 1,953,673 |
| 2007 | 915,000 | 1,926,085 |
| 2008 | 1,080,000 | 1,891,439 |
| 2009 | 1,260,000 | 1,850,724 |
| 2010 | 1,440,000 | 1,797,867 |
| 2011-2015 | 9,735,000 | 7,790,064 |
| 2016-2020 | 10,676,718 | 12,019,773 |
| 2021-2025 | 13,335,524 | 13,551,192 |
| 2026-2030 | 9,821,335 | 3,628,633 |
| | <u>\$ 49,028,577</u> | <u>\$ 46,409,449</u> |

Revenue bonds. The City also issues bonds where the income derived from the acquired or constructed assets is pledged to pay debt service. Revenue bonds outstanding at year-end are as follows:

| <u>Purpose</u> | <u>Fiscal Year Due</u> | <u>Interest Rates</u> | <u>Amount</u> |
|---------------------------------|------------------------|-----------------------|----------------------------|
| Business-type activities | | | |
| 1996 sewer system | 2008 | 4.40% - 5.70% | \$ 425,000 |
| 1999 water refunding | 2016 | 3.50% - 4.60% | 2,660,000 |
| 2000 sewage system | 2015 | 4.75% - 5.35% | 875,000 |
| | | | <u>\$ 3,960,000</u> |

Revenue bond debt service requirements to maturity are as follows:

| <u>Year</u> | <u>Business-type Activities</u> | |
|-------------|---------------------------------|----------------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2006 | \$ 370,000 | \$ 180,418 |
| 2007 | 400,000 | 163,373 |
| 2008 | 435,000 | 144,561 |
| 2009 | 295,000 | 128,248 |
| 2010 | 305,000 | 115,076 |
| 2011-2015 | 1,755,000 | 345,995 |
| 2016 | 400,000 | 16,625 |
| | <u>\$ 3,960,000</u> | <u>\$ 1,094,293</u> |

City of Jackson, Michigan

Notes To Financial Statements

Other Obligations. The government has entered into various long-term loan and installment payment agreements. Installment obligations outstanding at year-end are as follows:

| <u>Purpose</u> | <u>Fiscal Year</u> <u>Due</u> | <u>Interest Rates</u> | <u>Amount</u> |
|---|----------------------------------|-----------------------|----------------------------|
| Governmental activities | | | |
| Michigan Urbanland Assembly Loan – economic development | 2011 | 0.00% | \$ 772,000 |
| Section 108 loan – economic development | 2021 | 3.66% -6.62% | 1,025,000 |
| 2004 Building and parking installment purchase contract | 2009 | 3.75% | 305,000 |
| Municipal service contract – Nixon Park recreational improvements | 2011 | 5.25% | <u>130,000</u> |
| | | | <u>\$ 2,232,000</u> |
| Business activities | | | |
| 1997 installment purchase contract – purchase of parking lots | 2011 | 4.69% | <u>\$ 450,000</u> |

Annual debt service requirements to maturity for installment obligations are as follows:

| <u>Year</u> | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | |
|-------------|--------------------------------|--------------------------|---------------------------------|-------------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2006 | \$ 299,000 | \$ 69,205 | \$ 50,000 | \$ 19,933 |
| 2007 | 304,000 | 64,508 | 50,000 | 17,588 |
| 2008 | 309,000 | 58,429 | 75,000 | 14,656 |
| 2009 | 314,000 | 52,574 | 75,000 | 11,139 |
| 2010 | 229,000 | 45,738 | 100,000 | 7,035 |
| 2011-2015 | 402,000 | 170,445 | 100,000 | 2,345 |
| 2016-2020 | 325,000 | 78,219 | - | - |
| 2021 | 50,000 | 3,310 | - | - |
| | <u>\$ 2,232,000</u> | <u>\$ 542,428</u> | <u>\$ 450,000</u> | <u>\$ 72,696</u> |

City of Jackson, Michigan

Notes To Financial Statements

Advance refundings. In prior years, the City defeased certain bonds by placing the proceeds of a new bond issue in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 2005, the following amounts of bonds outstanding are considered defeased:

Primary government **\$ 275,000**

Changes in Long-Term Debt. Long-term liability activity for the year ended June 30, 2005, was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|----------------------------------|-------------------------------------|--------------------------|----------------------------|----------------------------------|---------------------------------------|
| <u>Primary Government</u> | | | | | |
| Governmental activities | | | | | |
| General obligation bonds | \$ 49,688,577 | \$ - | \$ 660,000 | \$ 49,028,577 | \$ 765,000 |
| Special assessment bonds | 85,000 | - | 85,000 | - | - |
| Installment contracts | 520,000 | - | 85,000 | 435,000 | 90,000 |
| Loans payable | 2,006,000 | - | 209,000 | 1,797,000 | 209,000 |
| Compensated absences | 1,940,695 | 134,744 | - | 2,075,439 | 245,463 |
| | <u>\$ 54,240,272</u> | <u>\$ 134,744</u> | <u>\$ 1,039,000</u> | <u>\$ 53,336,016</u> | <u>\$ 1,309,463</u> |
| Business-type activities | | | | | |
| Installment contracts | \$ 500,000 | \$ - | \$ 50,000 | \$ 450,000 | \$ 50,000 |
| Revenue bonds | 4,530,000 | - | 570,000 | 3,960,000 | 370,000 |
| Compensated absences | 274,726 | 23,356 | - | 298,082 | 37,557 |
| | <u>\$ 5,304,726</u> | <u>\$ 23,356</u> | <u>\$ 620,000</u> | <u>\$ 4,708,082</u> | <u>\$ 457,557</u> |

For the governmental activities, compensated absences are generally liquidated by the general fund.

3-G. Segment Information – Enterprise Funds

The government issued revenue bonds to finance certain improvements to its water and sewage systems. Because the Water and Sewage Funds, which are individual funds that account entirely for the government's water and sewer activities, are segments they are reported as major funds in the fund financial statements, segment disclosures herein are not required.

3-H. Endowments

Ella W. Sharp Park Endowment Permanent Trust Fund. For the year ended June 30, 2005, the net depreciation on investments of donor-restricted endowments was \$7,058. Under the terms of the endowment, and consistent with State statutes, the City is authorized based on a total-return policy to spend the net appreciation for the benefit of the Ella Sharp Park. At year-end, there was no accumulated available net appreciation; the nonexpendable endowment balance is \$1,107,122.

City of Jackson, Michigan

Notes To Financial Statements

Cuiss Endowment Permanent Trust Fund. For the year ended June 30, 2005, the net depreciation of this donor restricted endowment was \$1,087. The non-expendable endowment balance is \$25,000.

Cemetery Perpetual Maintenance Permanent Trust Fund. For the year ended June 30, 2005, the net depreciation on investments of donor-restricted endowments was \$30,672. Under the terms of the endowment, and consistent with State statutes, the City is authorized based on a total-return policy to spend the net appreciation for the benefit of the Cemetery System. At year-end, accumulated available net appreciation of \$8,698 is reported in unrestricted net assets; the nonexpendable endowment balance is \$1,559,976.

NOTE 4 – OTHER INFORMATION

4-A. Risk Management

During the normal course of its operations, the City is exposed to various risks of loss related to liability, employee injury and other circumstances. In all instances other than workers compensation, the City has retained coverages through commercial insurance carriers. The City has opted to protect itself from risks through means other than the purchase of traditional insurance coverage explained as follows:

In 1979, the City established a self-insurance program for workers' compensation, which is accounted for in the Workers' Compensation Fund (an internal service fund). This program is administered by a service agency, which furnishes safety inspection, claims review, and claims processing. A specific excess workers' compensation reinsurance policy indemnifies the City on a statutory basis in excess of the first \$1,000,000 per occurrence. All applicable funds are charged premiums based on payroll and workers' compensation classification. Settled claims have not exceeded insurance coverage in any of the past three fiscal years.

The claims liability of \$512,007 reported in the Workers' Compensation Fund at June 30, 2005 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The claim liability is estimated by management based upon historical experience. No annuity contracts have been purchased for claims liabilities.

The change in the Workers' Compensation Fund liability amount for the years ended June 30, 2005 and 2004 is as follows:

| | 2005 | 2004 |
|--|-------------------|-------------------|
| Claims liability at beginning of fiscal year | \$ 421,990 | \$ 460,010 |
| Claims and changes in estimates | 228,348 | 195,600 |
| Claims payments | (138,331) | (233,620) |
| Claims liability at June 30 | \$ 512,007 | \$ 421,990 |

There were no significant reductions in insurance coverage from the prior year, and no insurance settlements have exceeded coverage for each of the past three fiscal years.

City of Jackson, Michigan

Notes To Financial Statements

4-B. Property Taxes

Property taxes attach as an enforceable lien on property as of December 31 each year. The City property tax is levied the following July 1 based on the taxable value of the property, as assessed by the County, as of the preceding December 31. Real and personal property in the City for the July 1, 2004 levy was assessed and valued at approximately \$588 million, representing approximately 50% of estimated current market value.

The City's operating tax rate is 6.72 mills (cannot exceed 7.00 mills) with an additional 1.92 (cannot exceed 2.00 mills) for public improvement, 4.50 for Act 345 Pension and 2.00 for the Downtown Development Authority, a component unit of the City.

Taxes are payable to the City in five equal installments on the twentieth of the month commencing in July and ending in November. They are deemed delinquent immediately after the due date.

4-C. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and potential adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The Michigan Department of Natural Resources has served the City, Jackson County and State of Michigan Department of Corrections with a notice to abate pollution found at a landfill site owned by the City until 1984. The landfill was turned over to Jackson County in 1984, and the City has some protection from an agreement precluding any liability as a result of pollution found at the site. Should the agreement with the County collapse, the City could be held liable for a portion of the cleanup costs, which could be significant. The City believes it has meritorious grounds to defend any adverse claim and no provision for loss has been made in the accompanying financial statements.

Several taxpayers with significant property within the City of Jackson have real and personal property tax appeals filed with the Michigan Tax Tribunal. There is approximately \$888,000 of the City's taxes at risk. For the personal property taxes, once the State manual is complete and its depreciation schedules are approved by the Tribunal, there will likely be a valuation and tax reduction for the City. The amount of this reduction in tax is currently unknown. Also, the extent of potential real property tax reductions is unknown at this time.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the government's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government.

City of Jackson, Michigan

Notes To Financial Statements

4-D. Postemployment Benefits

Per personnel policy for non-union members and various labor agreements for union members, the City provides health insurance benefits to approximately 140 retirees who have not reached age 65. Such benefits are funded as incurred and approximated \$561,000 for governmental activities and \$35,000 for proprietary activities for the year ended June 30, 2005.

4-E. Defined Benefit Pension Plans

The City administers three single-employer defined benefit pension plans which provide retirement, death, and disability benefits covering substantially all City employees, subject to certain eligibility requirements. The obligation to contribute to these three plans and benefit provisions are authorized and amended by City ordinance. Membership of each plan consisted of the following at June 30, 2004, the date of the latest actuarial valuation:

| | Employees' Retirement System | Policemen's and Firemen's Pension Fund | Policemen's and Firemen's Pension Act 345 Fund |
|---|---|---|---|
| Retirees and beneficiaries receiving benefits | 140 | 54 | 136 |
| Terminated plan members entitled to, but not yet receiving benefits | 11 | - | 2 |
| Active plan members | 226 | - | 110 |
| TOTAL | 377 | 54 | 248 |

City of Jackson, Michigan

Notes To Financial Statements

Employees' Retirement System

The Employees' Retirement System Pension Plan is a contributory defined benefit plan that covers substantially all City employees not covered under one of the City's Policemen's and Firemen's Pension Plans and provides for retirement, death, and disability benefits. Members contribute 2.5% of annual compensation or one-half of the actuarially computed contribution if it is greater than 5.0%. The City contributes 2.5% of total compensation as a minimum, plus additional amounts as are necessary to provide assets sufficient for the Early Retirement Window Period. Pursuant to Ordinance Amendments, members contribute 3.5%, with the City contributing the 4.93%. Accumulated member contributions are annually credited with interest at 7%. Administrative costs of the Plan are financed through investment earnings.

The annual required contribution for the current year was determined as part of a June 30, 2003 actuarial valuation using the Entry Age Method. The actuarial assumptions included a 8% rate of return on investments, projected salary increases of 4.25% - 8.05% including inflation at 4.25%, and no cost of living adjustments.

Policemen's and Firemen's Pension

The Policemen's and Firemen's Pension Plan is a contributory defined benefit plan that covers certain uniformed policemen and firemen hired prior to July 1, 1974, and provides for retirement, death, and disability benefits. There are no remaining active plan members. The City contributes such additional amounts as are necessary to provide assets sufficient to meet the benefits to be paid to plan members. Administrative costs of the Plan are financed through investment earnings.

The annual required contribution for the current year was determined as part of a June 30, 2003 actuarial valuation using the Attained Age Method. The actuarial assumptions included a 7.5% rate of return on investments, and a 3.0% cost of living adjustment.

Policemen's and Firemen's Pension - Act 345

The Policemen's and Firemen's Pension Plan-Act 345 is a contributory defined benefit plan that covers uniformed policemen and firemen hired subsequent to July 1, 1974, and certain policemen and firemen hired prior to that date who have elected, under the provisions of the plan, to transfer from the City's Policemen's and Firemen's Pension Plan, and provides for retirement, death, and disability benefits. Members contribute 8.06% of annual compensation with the City contributing such additional amounts as are necessary to provide assets sufficient to meet the benefits to be paid to plan members. Accumulated member contributions are annually credited with interest at 7%. Administrative costs of the Plan are financed through investment earnings.

The annual required contribution for the year was determined as part of a June 30, 2003 actuarial valuation using the Entry Age Method. The actuarial assumptions included a 7.5% rate of return on investments, projected salary increases of 4.5% - 7.5% including inflation at 4.5%, and no cost of living adjustments.

City of Jackson, Michigan

Notes To Financial Statements

Other information for these plans is as follows:

| | Employees' Retirement System | Policemen's And Firemen's Pension | Policemen's and Firemen's Pension - Act 345 |
|------------------------|---|--|--|
| Asset valuation method | 4-year smoothed market | 4-year smoothed market | 4-year smoothed market |
| Amortization method | Level percent | Level percent | Level percent |
| Remaining amortization | 3-30 years | 6 years | 12 years |
| Open or closed | Closed | Closed | Closed |

THREE-YEAR TREND INFORMATION

| <u>Year Ending</u> | <u>Annual Pension Cost (APC)</u> | <u>Actual Annual Contribution</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|---|---|--|---|--|
| <u>Employees' Retirement System</u> | | | | |
| 6/30/03 | \$ 378,931 | \$ 378,931 | 100% | \$ -0- |
| 6/30/04 | 398,583 | 398,583 | 100 | -0- |
| 6/30/05 | 486,147 | 486,147 | 100 | -0- |
| <u>Policemen's and Firemen's Pension</u> | | | | |
| 6/30/03 | \$ 86,992 | \$ 86,992 | 100% | \$ -0- |
| 6/30/04 | 301,041 | 301,041 | 100 | -0- |
| 6/30/05 | 528,199 | 528,199 | 100 | -0- |
| <u>Policemen's and Firemen's Pension – Act 345</u> | | | | |
| 6/30/03 | \$1,895,548 | \$1,895,548 | 100% | \$ -0- |
| 6/30/04 | 2,192,507 | 2,192,507 | 100 | -0- |
| 6/30/05 | 2,466,634 | 2,466,634 | 100 | -0- |

City of Jackson, Michigan

Notes To Financial Statements

Stand alone financial reports have not been issued for the plans. GASB Statement 25 Required Supplementary Information is presented after the footnotes section. A summary of the financial results for the three Plans is as follows:

Statement of Plan Net Assets

| | June 30, 2005 | | | |
|--|------------------------------------|--|---|----------------------|
| | Employees' Retirement System | Policemen's and Firemen's Pension | Policemen's and Firemen's Pension - Act 345 | Total |
| Assets: | | | | |
| Cash and cash equivalents | \$ 215,310 | \$ 198,659 | \$ 2,036,266 | \$ 2,450,235 |
| Receivables: | | | | |
| Interest and dividends | 718 | 13,422 | 87,336 | 101,476 |
| Other | 486,144 | 15,140 | 8,860 | 510,144 |
| Total receivables | 486,862 | 28,562 | 96,196 | 611,620 |
| Investments, at fair value | | | | |
| Domestic mutual funds (fixed income) | 13,501,240 | - | - | 13,501,240 |
| U.S. Government obligations | - | 358,393 | 2,936,137 | 3,294,530 |
| Domestic corporate bonds | - | 1,126,686 | 4,830,482 | 5,957,168 |
| International bonds | - | 115,765 | 529,021 | 644,786 |
| Domestic stocks | - | 3,195,646 | 17,127,343 | 20,322,989 |
| Domestic mutual funds (equities) | 14,522,711 | - | - | 14,522,711 |
| International stocks | 1,709,642 | 594,077 | 152,683 | 2,456,402 |
| Total investments | 29,733,593 | 5,390,567 | 25,575,666 | 60,699,826 |
| Total assets | 30,435,765 | 5,617,788 | 27,708,128 | 63,761,681 |
| Liabilities | | | | |
| Refunds payable and other | - | - | 236,226 | 236,226 |
| Total liabilities | - | - | 236,226 | 236,226 |
| Net assets held in trust for pension benefits | \$ 30,435,765 | \$ 5,617,788 | \$ 27,471,902 | \$ 63,525,455 |

City of Jackson, Michigan

Notes To Financial Statements

Statement of Changes in Plan Net Assets:

| | Year Ended June 30, 2005 | | | Totals |
|--|------------------------------------|--|---|----------------------|
| | Employees' Retirement System | Policemen's and Firemen's Pension | Policemen's and Firemen's Pension - Act 345 | |
| Additions | | | | |
| Contributions : | | | | |
| Employer | \$ 486,147 | \$ 528,199 | \$ 2,466,634 | \$ 3,480,980 |
| Plan member | 364,860 | - | 572,448 | 937,308 |
| Total contributions | 851,007 | 528,199 | 3,039,082 | 4,418,288 |
| Investment income (loss) : | | | | |
| Net appreciation in fair value of investments | 1,529,357 | 109,185 | 647,822 | 2,286,364 |
| Interest | 669,696 | 68,696 | 317,423 | 1,055,815 |
| Dividends | 2,099 | 43,915 | 203,070 | 249,084 |
| | 2,201,152 | 221,796 | 1,168,315 | 3,591,263 |
| Less investment expense | 23,023 | 6,467 | 203,896 | 233,386 |
| Net investment income | 2,178,129 | 215,329 | 964,419 | 3,357,877 |
| Total additions | 3,029,136 | 743,528 | 4,003,501 | 7,776,165 |
| Deductions | | | | |
| Benefits | 1,780,807 | 1,288,114 | 2,965,332 | 6,034,253 |
| Refunds of contributions | 29,876 | - | 88,914 | 118,790 |
| Administrative expense | 54,328 | 49,279 | 27,581 | 131,188 |
| Total deductions | 1,865,011 | 1,337,393 | 3,081,827 | 6,284,231 |
| Net increase (decrease) | 1,164,125 | (593,865) | 921,674 | 1,491,934 |
| Net assets held in trust for pension benefits | | | | |
| Beginning of year | 29,271,640 | 6,211,653 | 26,550,228 | 62,033,521 |
| End of year | \$ 30,435,765 | \$ 5,617,788 | \$ 27,471,902 | \$ 63,525,455 |

* * * * *

**GASB Required
Supplementary Information**

City of Jackson, Michigan

GASB Statement 25 Required Supplementary Information

Schedule of Funding Progress

| Actuarial Valuation Date June 30 | (In Thousands) | | | Funded Ratio | Covered Payroll | UAAL as a % of Covered Payroll | | | | | | |
|---|---------------------------------|--|---------------------------|-----------------|--------------------|---|-------|---|----|-----------|----------|---|
| | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) Entry Age | Unfunded AAL (UAAL) | | | | | | | | | |
| <u>Employees' Retirement System</u> | | | | | | | | | | | | |
| 1996 | \$ | 22,960 | \$ | 22,446 | \$ | (514) | 102.3 | % | \$ | 7,021,952 | (7.3) | % |
| 1997 | | 24,810 | | 24,459 | | (351) | 101.4 | | | 7,340,045 | (4.8) | |
| 1998 | | 27,965 | | 22,927 | | (5,038) | 122.0 | | | 7,339,189 | (68.6) | |
| 1999 | | 31,654 | | 24,367 | | (7,287) | 129.9 | | | 7,784,073 | (93.6) | |
| 2000 | | 34,960 | | 25,787 | | (9,173) | 135.6 | | | 8,338,326 | (110.0) | |
| 2001 | | 36,120 | | 27,705 | | (8,415) | 130.4 | | | 8,532,237 | (98.6) | |
| 2002 | | 35,151 | | 29,372 | | (5,779) | 119.7 | | | 9,256,930 | (62.4) | |
| 2003 | | 33,229 | | 29,902 | | (3,327) | 111.1 | | | 9,691,157 | (34.3) | |
| 2004 | | 32,919 | | 31,417 | | (1,502) | 104.8 | | | 9,599,830 | (15.6) | |
| <u>Policemen's and Firemen's Pension</u> | | | | | | | | | | | | |
| 1996 | | 7,655 | | 16,167 | | 8,512 | 47.3 | | | 44,875 | 18,970.0 | |
| 1997 | | 7,891 | | 16,176 | | 8,285 | 48.8 | | | 50,098 | 16,537.7 | |
| 1998 | | 8,997 | | 13,879 | | 4,882 | 64.8 | | | 49,813 | 9,799.6 | |
| 1999 | | 9,845 | | 13,537 | | 3,692 | 72.7 | | | 51,016 | 7,237.6 | |
| 2000 | | 11,518 | | 11,747 | | 229 | 98.1 | | | N/A | N/A | |
| 2001 | | 10,845 | | 11,428 | | 583 | 94.9 | | | N/A | N/A | |
| 2002 | | 9,354 | | 11,267 | | 1,913 | 83.0 | | | N/A | N/A | |
| 2003 | | 7,745 | | 10,901 | | 3,156 | 71.1 | | | N/A | N/A | |
| 2004 | | 6,418 | | 10,753 | | 4,335 | 59.7 | | | N/A | N/A | |
| <u>Policemen's and Firemen's Pension - Act 345</u> | | | | | | | | | | | | |
| 1996 | | 15,137 | | 38,080 | | 22,943 | 39.8 | | | 5,380,560 | 426.4 | |
| 1997 | | 17,657 | | 39,109 | | 21,452 | 45.1 | | | 5,498,077 | 390.2 | |
| 1998 | | 21,277 | | 39,553 | | 18,276 | 53.8 | | | 5,697,163 | 320.8 | |
| 1999 | | 24,372 | | 40,911 | | 16,539 | 59.6 | | | 5,597,521 | 295.5 | |
| 2000 | | 27,748 | | 42,660 | | 14,912 | 65.0 | | | 5,772,726 | 258.3 | |
| 2001 | | 29,555 | | 44,126 | | 14,571 | 67.0 | | | 5,942,253 | 245.2 | |
| 2002 | | 28,906 | | 45,681 | | 16,775 | 63.3 | | | 6,071,301 | 276.3 | |
| 2003 | | 27,837 | | 47,131 | | 19,294 | 59.1 | | | 6,213,210 | 310.5 | |
| 2004 | | 27,219 | | 49,060 | | 21,841 | 55.5 | | | 6,138,055 | 355.8 | |

City of Jackson, Michigan

GASB Statement 25 Required Supplementary Information

Schedule of Employer Contributions

| <u>Fiscal Year Ended June 30</u> | <u>Contribution Rates as Percents of Valuation Payroll</u> | | <u>Annual Required Computed Dollar Contribution Based on Projected Payroll</u> | <u>Actual Annual Contributions</u> | <u>Percent Contribution</u> | |
|---|--|---|--|--|---------------------------------|---|
| <u>Employees' Retirement System</u> | | | | | | |
| 1997 | 3.8 | % | \$ 270,136 | \$ 270,731 | 100 | % |
| 1998 | 3.7 | | 275,762 | 299,660 | 109 | |
| 1999 | 4.6 | | 363,951 | 363,951 | 100 | |
| 2000 | 3.9 | | 320,315 | 320,315 | 100 | |
| 2001 | 3.9 | | 335,840 | 335,840 | 100 | |
| 2002 | 3.9 | | 354,918 | 354,918 | 100 | |
| 2003 | 3.9 | | 378,931 | 378,931 | 100 | |
| 2004 | 3.9 | | 398,583 | 398,583 | 100 | |
| 2005 | 4.9 | | 486,147 | 486,147 | 100 | |
| <u>Policemen's and Firemen's Pension</u> | | | | | | |
| 1997 | N/A | | 558,348 | 558,348 | 100 | |
| 1998 | N/A | | 534,469 | 534,469 | 100 | |
| 1999 | N/A | | 542,989 | 542,989 | 100 | |
| 2000 | N/A | | 372,183 | 372,183 | 100 | |
| 2001 | N/A | | 293,241 | 293,241 | 100 | |
| 2002 | N/A | | - | - | N/A | |
| 2003 | N/A | | 86,992 | 86,992 | 100 | |
| 2004 | N/A | | 301,041 | 301,041 | 100 | |
| 2005 | N/A | | 528,199 | 528,199 | 100 | |
| <u>Policemen's and Firemen's Pension - Act 345</u> | | | | | | |
| 1997 | 40.4 | | 2,224,513 | 2,224,513 | 100 | |
| 1998 | 39.5 | | 2,284,381 | 2,284,381 | 100 | |
| 1999 | 38.4 | | 2,270,386 | 2,270,386 | 100 | |
| 2000 | 33.6 | | 2,051,490 | 2,051,490 | 100 | |
| 2001 | 30.9 | | 1,970,575 | 1,970,575 | 100 | |
| 2002 | 30.9 | | 1,882,139 | 1,882,139 | 100 | |
| 2003 | 29.9 | | 1,895,548 | 1,895,548 | 100 | |
| 2004 | 33.8 | | 2,192,507 | 2,192,507 | 100 | |
| 2005 | 37.2 | | 2,466,634 | 2,466,634 | 100 | |

City of Jackson, Michigan

GASB Statement 25 Required Supplementary Information

Additional Information

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

| | <u>Employees' Retirement System</u> | <u>Policemen's and Firemen's Pension</u> | <u>Policemen's and Firemen's Pension Act 345</u> |
|---|--|--|--|
| Valuation date | June 30, 2004 | June 30, 2004 | June 30, 2004 |
| Actuarial Cost Method | Entry Age | Not applicable - Inactive | Entry Age |
| Amortization Method | Level percent | Level percent | Level percent |
| Remaining amortization period (All closed periods) | 10 years full funding credit 30 years unfunded liability 3 years early retirement window | 6 years | 12 years |
| Asset valuation method | 4 year smoothed market | 4 year smoothed market | 4 year smoothed market |
| Actuarial assumption: | | | |
| Investment rate of return | 8.00% | 7.50% | 7.50% |
| Projected salary increases | 4.25% - 8.05% | N/A | 4.5% -7.5% |
| Includes inflation at | 4.25% | N/A | 4.50% |
| Cost-of-living adjustments | None | 3.00% | None |

Combining and Individual Fund Financial Statements and Schedules

City of Jackson, Michigan
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2005

| | Special Revenue | Debt Service | Capital Projects | Permanent Funds | Totals |
|--|--------------------|-----------------|---------------------|--------------------|--------------|
| Assets : | | | | | |
| Cash and cash equivalents | \$ 2,789,610 | \$ 39,900 | \$ 1,656,571 | \$ 37,602 | \$ 4,523,683 |
| Investments, at fair value | - | - | - | 2,563,496 | 2,563,496 |
| Receivables (net of allowances for uncollectibles) : | | | | | |
| Accounts | 63,079 | - | - | - | 63,079 |
| Special assessments | - | 19,157 | - | - | 19,157 |
| Other | - | - | - | 15,796 | 15,796 |
| Due from other governmental units | 111,569 | - | - | - | 111,569 |
| Due from other funds | - | 16,711 | 20,560 | 225 | 37,496 |
| Inventories | 11,358 | - | - | - | 11,358 |
| Long-term advance to other funds | - | - | - | 140,000 | 140,000 |
| Total assets | \$ 2,975,616 | \$ 75,768 | \$ 1,677,131 | \$ 2,757,119 | \$ 7,485,634 |
| Liabilities and Fund Balances : | | | | | |
| Liabilities : | | | | | |
| Accounts payable | \$ 59,054 | \$ - | \$ 56,147 | \$ - | \$ 115,201 |
| Accrued payroll | 40,534 | - | - | - | 40,534 |
| Other liabilities | - | - | 11,422 | - | 11,422 |
| Due to other funds | 383 | 25,625 | - | 56,323 | 82,331 |
| Deferred revenue | 93,656 | 19,157 | - | - | 112,813 |
| Total liabilities | 193,627 | 44,782 | 67,569 | 56,323 | 362,301 |
| Fund balances : | | | | | |
| Reserved for inventory | 11,358 | - | - | - | 11,358 |
| Reserved for perpetual care and endowment | | - | - | 2,692,098 | 2,692,098 |
| Unreserved : | | | | | |
| Designated | 256,965 | - | - | - | 256,965 |
| Undesignated | 2,513,666 | 30,986 | 1,609,562 | 8,698 | 4,162,912 |
| Total fund balances | 2,781,989 | 30,986 | 1,609,562 | 2,700,796 | 7,123,333 |
| Total liabilities and fund balances | \$ 2,975,616 | \$ 75,768 | \$ 1,677,131 | \$ 2,757,119 | \$ 7,485,634 |

City of Jackson, Michigan
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2005

| | Special Revenue | Debt Service | Capital Projects | Permanent Funds | Totals |
|---|--------------------|-----------------|---------------------|--------------------|--------------|
| Revenues : | | | | | |
| Property taxes | \$ 1,071,838 | \$ 541,489 | \$ 869,006 | \$ - | \$ 2,482,333 |
| Intergovernmental : | | | | | |
| Federal grants | 474,699 | - | - | - | 474,699 |
| State shared revenues and grants | 609,745 | - | - | - | 609,745 |
| Charges for services | 1,229,446 | 229,584 | - | 34,945 | 1,493,975 |
| Special assessments | - | 7,929 | - | - | 7,929 |
| Investment income | 47,003 | 18,194 | 30,994 | 73,534 | 169,725 |
| Miscellaneous | 95,948 | - | 11,000 | - | 106,948 |
| Total revenues | 3,528,679 | 797,196 | 911,000 | 108,479 | 5,345,354 |
| Expenditures : | | | | | |
| Current: | | | | | |
| Public safety | 800,474 | - | - | - | 800,474 |
| Public works | 813,029 | - | 1 | - | 813,030 |
| Culture and recreation | 924,167 | - | - | - | 924,167 |
| Community enrichment and development | 686,721 | - | - | 8,098 | 694,819 |
| Capital outlay : | | | | | |
| Community enrichment and development | 51,011 | - | 634,238 | - | 685,249 |
| Debt service: | | | | | |
| Principal retirement | 85,000 | 954,000 | - | - | 1,039,000 |
| Interest and fiscal charges | 7,876 | 2,235,958 | - | - | 2,243,834 |
| Total expenditures | 3,368,278 | 3,189,958 | 634,239 | 8,098 | 7,200,573 |
| Excess of revenues over (under) expenditures | 160,401 | (2,392,762) | 276,761 | 100,381 | (1,855,219) |
| Other Financing Sources (Uses) : | | | | | |
| Proceeds from sale of capital assets | 54,270 | - | - | - | 54,270 |
| Transfers in | 1,861,117 | 949,326 | (5,528) | - | 2,804,915 |
| Transfers (out) | (1,078,022) | - | (612,099) | (92,763) | (1,782,884) |
| Total other financing sources (uses) | 837,365 | 949,326 | (617,627) | (92,763) | 1,076,301 |
| Net change in fund balances | 997,766 | (1,443,436) | (340,866) | 7,618 | (778,918) |
| Fund Balances - Beginning of Year | 1,784,223 | 1,474,422 | 1,950,428 | 2,693,178 | 7,902,251 |
| Fund Balances - End of Year | \$ 2,781,989 | \$ 30,986 | \$ 1,609,562 | \$ 2,700,796 | \$ 7,123,333 |

Nonmajor Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Local Street Fund - This fund is used to control the expenditure of motor fuel taxes which are earmarked by law and the State Constitution for local street and highway purposes.

Ella W. Sharp Park Operating Fund - This fund is used to record the revenues and expenditures related to operating the Ella W. Sharp Golf Course and Ella W. Sharp Park.

Sale of Land Fund - This fund is used to record the proceeds from the sale of cemetery lots and other land of the City.

Land Acquisition Fund - This fund is used to account for acquisitions of property within the City.

Housing Initiative Fund - This fund is used to record the acquisition of tax reverted properties and other land within the City

Public Improvement Fund - This fund was established to account for tax revenue set aside for municipal public improvements.

Building Department Fund - This fund depicts the revenues and expenditures for the Inspection Department Activity in accordance with the State Construction Code Act of 1999.

Budget Stabilization Fund - As provided for in Act 30 of the Public Acts of 1978, monies in this fund can generally be used for General Fund deficit reduction, to prevent a reduction in the level of public services or to cover expenses relating to a natural disaster.

Drug Law Enforcement Fund - This fund is used to account for the proceeds from the sale of seized property which has been used in association with controlled substances.

Local Law Enforcement Block Grant - This fund is used to account for grant monies which are earmarked for projects to reduce crime and improve public safety.

LAWNET Grant Fund - This fund is used to account for activity relating to LAWNET Project Grants entered into with the City of Ypsilanti through the Office of Criminal Justice for the purpose of expanding the drug effort and impacting drug trafficking in the Jackson-Washtenaw-Livingston County Region.

Recreation Activity Fund - This fund is used to account for the expenditure of certain revenues generated from recreation fee programs.

Community Development Home Grant Fund - This fund is used to account for Federal Grants created by the National Affordable Housing Act of 1990.

Employee Health Care - This fund is used to account for the accumulation of resources to pay for future retiree health care costs.

Brownfield Assessment Grant Fund - This fund is used to account for the activity of an EPA Grant relating to Brownfield sites.

City of Jackson, Michigan
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2005

| | Local Street | Elta W. Sharp Park Operating | Sale of Land | Land Acquisition | Housing Initiative | Public Improvement | Building Department | Budget Stabilization | Drug Law Enforcement | Local Law Enforcement Block Grant | LAWNET Grant | Recreation Activity | Community Development Home Grant | Employee Health Care | Brownfield Assessment Grant | Totals |
|---|--------------|------------------------------|--------------|------------------|--------------------|--------------------|---------------------|----------------------|----------------------|-----------------------------------|--------------|---------------------|----------------------------------|----------------------|-----------------------------|--------------|
| | | | | | | | | | | | | | | | | |
| Assets : | | | | | | | | | | | | | | | | |
| Cash and cash equivalents | \$ 135,034 | \$ 21,097 | \$ - | \$ 6,839 | \$ 205,073 | \$ 383,525 | \$ (33,283) | \$ 1,603,500 | \$ 4,740 | \$ 54,607 | \$ (7,327) | \$ 83,330 | \$ 77,970 | \$ 255,092 | \$ (607) | \$ 2,789,610 |
| Accounts receivables (net of allowances for uncollectibles) | - | - | - | - | - | - | 63,069 | - | - | - | - | 10 | - | - | - | 63,079 |
| Due from other governmental units: | | | | | | | | | | | | | | | | |
| State of Michigan | 98,639 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 98,639 |
| Federal Government | - | - | - | - | - | - | - | - | - | - | 8,507 | - | - | - | 4,423 | 12,930 |
| Inventories, at cost | - | 11,358 | - | - | - | - | - | - | - | - | - | - | - | - | - | 11,358 |
| | \$ 233,673 | \$ 32,455 | \$ - | \$ 6,839 | \$ 205,073 | \$ 383,525 | \$ 29,786 | \$ 1,603,500 | \$ 4,740 | \$ 54,607 | \$ 1,180 | \$ 83,360 | \$ 77,970 | \$ 255,092 | \$ 3,816 | \$ 2,975,616 |
| Total assets | | | | | | | | | | | | | | | | |
| Liabilities and Fund Balances : | | | | | | | | | | | | | | | | |
| Liabilities : | | | | | | | | | | | | | | | | |
| Accounts payable | \$ - | \$ 11,785 | \$ - | \$ - | \$ 5,685 | \$ - | \$ 18,112 | \$ - | \$ 230 | \$ - | \$ - | \$ 2,416 | \$ 17,010 | \$ - | \$ 3,816 | \$ 59,054 |
| Accrued payroll | 2,315 | 18,816 | - | - | - | - | 10,901 | - | - | - | - | 8,502 | - | - | - | 40,534 |
| Due to other funds | - | - | - | - | - | - | - | - | - | - | - | - | 383 | - | - | 383 |
| Deferred revenue | - | - | - | - | - | - | - | - | - | 33,079 | - | - | 60,577 | - | - | 93,656 |
| Total liabilities | 2,315 | 30,601 | - | - | 5,685 | - | 29,013 | - | 230 | 33,079 | - | 10,918 | 77,970 | - | 3,816 | 193,627 |
| Fund Balances : | | | | | | | | | | | | | | | | |
| Reserved for: | | | | | | | | | | | | | | | | |
| Inventory | - | 11,358 | - | - | - | - | - | - | - | - | - | - | - | - | - | 11,358 |
| Unreserved: | | | | | | | | | | | | | | | | |
| Designated for subsequent year's expenditures | 173,163 | - | - | 5,000 | 50,000 | 2,715 | - | - | 2,870 | 7,445 | - | 15,772 | - | - | - | 256,965 |
| Undesignated (deficit) | 58,195 | (9,504) | - | 1,839 | 149,388 | 380,810 | 773 | 1,603,500 | 1,640 | 14,083 | 1,180 | 56,670 | - | 255,092 | - | 2,513,666 |
| Total fund balances | 231,358 | 1,854 | - | 6,839 | 199,388 | 383,525 | 773 | 1,603,500 | 4,510 | 21,528 | 1,180 | 72,442 | - | 255,092 | - | 2,781,989 |
| Total liabilities and fund balances | \$ 233,673 | \$ 32,455 | \$ - | \$ 6,839 | \$ 205,073 | \$ 383,525 | \$ 29,786 | \$ 1,603,500 | \$ 4,740 | \$ 54,607 | \$ 1,180 | \$ 83,360 | \$ 77,970 | \$ 255,092 | \$ 3,816 | \$ 2,975,616 |

City of Jackson, Michigan
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2005

| | Local Street | Ella W. Sharp Park Operating | Sale of Land | Land Acquisition | Housing Initiative | Public Improvement | Building Department | Budget Stabilization | Drug Law Enforcement | Local Law Enforcement Block Grant | LAWNET Grant | Recreation Activity | Community Development Home Grant | Employee Health Care | Brownfield Assessment Grant | Totals |
|--|--------------|------------------------------|--------------|------------------|--------------------|--------------------|---------------------|----------------------|----------------------|-----------------------------------|--------------|---------------------|----------------------------------|----------------------|-----------------------------|--------------|
| Revenues : | | | | | | | | | | | | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,071,838 |
| Intergovernmental : | | | | | | | | | | | | | | | | |
| Federal grants | - | - | - | - | - | - | - | - | - | 63,030 | 55,404 | - | 351,842 | - | 4,423 | 474,699 |
| State grants & shared revenues | 609,745 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 609,745 |
| Charges for services | - | 538,031 | - | - | - | - | 400,214 | - | - | - | - | 29,120 | - | - | - | 1,229,446 |
| Investment income | 656 | 1,904 | - | 290 | 2,370 | 24,098 | 2,797 | 11,158 | 515 | 1,582 | 37 | 1,504 | - | 92 | - | 47,003 |
| Miscellaneous | - | - | - | - | 1,000 | - | - | - | 28,459 | - | - | - | 66,489 | - | - | 95,948 |
| Total revenues | 610,401 | 539,935 | - | 290 | 3,370 | 1,095,936 | 403,011 | 11,158 | 28,974 | 64,612 | 55,441 | 29,705 | 418,331 | 92 | 4,423 | 3,528,679 |
| Expenditures : | | | | | | | | | | | | | | | | |
| Current : | | | | | | | | | | | | | | | | |
| Public safety | - | - | - | - | - | - | 606,114 | - | 5,562 | 68,589 | 120,209 | - | - | - | - | 800,474 |
| Public works | 808,606 | - | - | - | - | - | - | - | - | - | - | - | - | - | 4,423 | 813,029 |
| Culture and recreation | - | 634,954 | - | - | - | - | - | - | - | - | - | 289,213 | - | - | - | 924,167 |
| Community enrichment and development | - | - | - | - | 31,542 | 236,848 | - | - | - | - | - | - | 418,331 | - | - | 686,721 |
| Capital outlay: | | | | | | | | | | | | | | | | |
| Community enrichment and development | - | - | - | 8,752 | 42,259 | - | - | - | - | - | - | - | - | - | - | 51,011 |
| Debt service: | | | | | | | | | | | | | | | | |
| Principal retirement | - | - | - | - | - | 85,000 | - | - | - | - | - | - | - | - | - | 85,000 |
| Interest expense | - | - | - | - | - | 7,876 | - | - | - | - | - | - | - | - | - | 7,876 |
| Total expenditures | 808,606 | 634,954 | - | 8,752 | 73,801 | 329,724 | 606,114 | - | 5,562 | 68,589 | 120,209 | 289,213 | 418,331 | - | 4,423 | 3,368,278 |
| Excess of revenues over (under) expenditures | (198,205) | (95,019) | - | (8,462) | (70,431) | 766,212 | (203,103) | 11,158 | 23,412 | (3,977) | (64,768) | 3,492 | - | 92 | - | 160,401 |
| Other Financing Sources (Uses) : | | | | | | | | | | | | | | | | |
| Proceeds from sale of capital assets | - | - | - | - | 54,270 | - | - | - | - | - | - | - | - | - | - | 54,270 |
| Transfers in | 200,811 | 96,508 | - | - | 70,000 | - | 175,000 | 1,000,000 | - | 3,675 | 65,123 | - | - | 250,000 | - | 1,861,117 |
| Transfers (out) | (12,398) | - | - | - | - | (989,343) | - | (11,158) | (65,123) | - | - | - | - | - | - | (1,078,023) |
| Total other financing sources (uses) | 188,413 | 96,508 | - | - | 124,270 | (989,343) | 175,000 | 988,842 | (65,123) | 3,675 | 65,123 | - | - | 250,000 | - | 837,365 |
| Net change in fund balances | (9,792) | 1,489 | - | (8,462) | 53,839 | (223,131) | (28,103) | 1,000,000 | (41,711) | (302) | 355 | 3,492 | - | 250,092 | - | 997,766 |
| Fund Balances - Beginning of Year | 241,150 | 365 | - | 15,301 | 145,549 | 606,656 | 28,876 | 603,500 | 46,221 | 21,830 | 825 | 68,950 | - | 5,000 | - | 1,784,223 |
| Fund Balances - End of Year | \$ 231,358 | \$ 1,854 | \$ - | \$ 6,839 | \$ 199,388 | \$ 383,525 | \$ 773 | \$ 1,603,500 | \$ 4,510 | \$ 21,528 | \$ 1,180 | \$ 72,442 | \$ - | \$ 255,092 | \$ - | \$ 2,781,989 |

City of Jackson, Michigan
Local Street Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Amended Budget and Actual
For the Fiscal Year Ended June 30, 2005
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

| | 2005 | | | |
|--|-------------------|------------|--|----------------|
| | Amended Budget | Actual | Actual Over (Under) Final Budget | 2004 Actual |
| Revenues : | | | | |
| Intergovernmental- | | | | |
| Gas & weight tax distribution | \$ 614,845 | \$ 609,745 | \$ (5,100) | \$ 629,040 |
| Investment income | - | 656 | 656 | 453 |
| Miscellaneous | - | - | - | 33,269 |
| Total revenues | 614,845 | 610,401 | (4,444) | 662,762 |
| Expenditures : | | | | |
| Current : | | | | |
| Public works | | | | |
| Street construction | 76,811 | 75,634 | (1,177) | 157,013 |
| Street maintenance | 544,500 | 536,233 | (8,267) | 589,214 |
| Bridge maintenance | 4,281 | 240 | (4,041) | 1,310 |
| Bridge construction | 3,500 | - | (3,500) | - |
| Traffic services | 43,767 | 36,643 | (7,124) | 28,703 |
| Winter maintenance | 166,698 | 159,856 | (6,842) | 150,008 |
| Total expenditures | 839,557 | 808,606 | (30,951) | 926,248 |
| Excess of revenues over (under) expenditures | (224,712) | (198,205) | 26,507 | (263,486) |
| Other Financing Sources : | | | | |
| Transfers in : | | | | |
| Major streets | 150,000 | 150,000 | - | 100,000 |
| Community Development Block Grant Fund | - | - | - | 12,466 |
| Major/Local Streets Capital Projects | 34,977 | 34,977 | - | 77,881 |
| Special Assessment Capital Projects Fund | 15,834 | 15,834 | - | 82,833 |
| Transfers (out) : | | | | |
| 2003 MTF Bond Debt Service | (12,398) | (12,398) | - | (5,120) |
| Total other financing sources (uses) | 188,413 | 188,413 | - | 268,060 |
| Net change in fund balances | (36,299) | (9,792) | 26,507 | 4,574 |
| Fund Balance - Beginning of Year | 241,150 | 241,150 | - | 236,576 |
| Fund Balance - End of Year | \$ 204,851 | \$ 231,358 | \$ 26,507 | \$ 241,150 |

City of Jackson, Michigan
Ella W. Sharp Park Operating Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Amended Budget and Actual
For the Fiscal Year Ended June 30, 2005
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

| | 2005 | | | |
|--|-------------------|------------|--|----------------|
| | Amended Budget | Actual | Actual Over (Under) Final Budget | 2004 Actual |
| Revenues : | | | | |
| Charges for services | \$ 648,652 | \$ 538,031 | \$ (110,621) | \$ 543,914 |
| Investment income | 100 | 1,904 | 1,804 | 59 |
| Miscellaneous | - | - | - | 10,055 |
| Total revenues | 648,752 | 539,935 | (108,817) | 554,028 |
| Expenditures : | | | | |
| Current : | | | | |
| Culture & recreation : | | | | |
| Personal services | 390,902 | 365,103 | (25,799) | 352,583 |
| Materials & supplies | 171,850 | 168,240 | (3,610) | 153,457 |
| Contractual & other services | 78,525 | 53,904 | (24,621) | 98,586 |
| Capital outlay | 48,700 | 47,707 | (993) | 9,551 |
| Total expenditures | 689,977 | 634,954 | (55,023) | 614,177 |
| Excess of revenues over (under) expenditures | (41,225) | (95,019) | (53,794) | (60,149) |
| Other Financing Sources : | | | | |
| Transfers in : | | | | |
| General fund | - | 60,000 | 60,000 | 18,500 |
| Ella W. Sharp Endowment Fund | 41,200 | 36,508 | (4,692) | 41,919 |
| Total other financing sources | 41,200 | 96,508 | 55,308 | 60,419 |
| Net change in fund balances | (25) | 1,489 | 1,514 | 270 |
| Fund Balance - Beginning of Year | 365 | 365 | - | 95 |
| Fund Balance - End of Year | \$ 340 | \$ 1,854 | \$ 1,514 | \$ 365 |

City of Jackson, Michigan
Sale of Land Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Amended Budget and Actual
For the Fiscal Year Ended June 30, 2005
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

| | 2005 | | | |
|--|-------------------|--------|--|----------------|
| | Amended Budget | Actual | Actual Over (Under) Final Budget | 2004 Actual |
| Revenues : | | | | |
| Charges for services : | | | | |
| Sale of cemetery lots | \$ - | \$ - | \$ - | - |
| Sale of land - other | - | - | - | - |
| Total revenues | - | - | - | - |
| Expenditures | - | - | - | - |
| Excess of revenues over (under) expenditures | - | - | - | - |
| Other Financing Uses : | | | | |
| Transfers out : | | | | |
| General Fund | - | - | - | - |
| Housing Initiative Fund | (44,376) | - | 44,376 | - |
| Total other financing sources | (44,376) | - | 44,376 | - |
| Net change in fund balances | (44,376) | - | 44,376 | - |
| Fund Balance - Beginning of Year | - | - | - | - |
| Fund Balance - End of Year | \$ (44,376) | \$ - | \$ 44,376 | \$ - |

City of Jackson, Michigan
Land Acquisition Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Amended Budget and Actual
For the Fiscal Year Ended June 30, 2005
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

| | 2005 | | 2004 |
|--|-------------------|----------|-----------|
| | Amended Budget | Actual | Actual |
| Revenues : | | | |
| Investment income | \$ 150 | \$ 190 | 35 |
| Miscellaneous | 1,000 | 100 | - |
| Total revenues | 1,150 | 290 | 35 |
| Expenditures - | | | |
| Capital outlay: | | | |
| Community enrichment and development | 11,000 | 8,752 | 516,080 |
| Excess of revenues over (under) expenditures | (9,850) | (8,462) | (516,045) |
| Other Financing Sources : | | | |
| Bond proceeds | - | - | 370,000 |
| Transfers in - | | | |
| General Fund | - | - | 150,000 |
| Total other financing sources (uses) | - | - | 520,000 |
| Net change in fund balances | (9,850) | (8,462) | 3,955 |
| Fund Balance - Beginning of Year | 15,301 | 15,301 | 11,346 |
| Fund Balance - End of Year | \$ 5,451 | \$ 6,839 | \$ 15,301 |

City of Jackson, Michigan
Housing Initiative Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Amended Budget and Actual
For the Fiscal Year Ended June 30, 2005
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

| | 2005 | | | |
|--|-------------------|------------|--|----------------|
| | Amended Budget | Actual | Actual Over (Under) Final Budget | 2004 Actual |
| Revenues : | | | | |
| Investment income | \$ 1,100 | \$ 2,370 | \$ 1,270 | \$ 1,432 |
| Other | 50,000 | 1,000 | (49,000) | 150,000 |
| Total revenues | 51,100 | 3,370 | (47,730) | 151,432 |
| Expenditures | | | | |
| Current: | | | | |
| Community enrichment and development | 48,766 | 31,542 | (17,224) | 23,973 |
| Capital outlay: | | | | |
| Community enrichment and development | 127,000 | 42,259 | (84,741) | 229,093 |
| Total expenditures | 175,766 | 73,801 | (101,965) | 253,066 |
| Excess of revenues over (under) expenditures | (124,666) | (70,431) | 54,235 | (101,634) |
| Other Financing Uses : | | | | |
| Proceeds from sale of capital assets | 55,000 | 54,270 | (730) | 73,481 |
| Transfers in : | | | | |
| General Fund | 70,000 | 70,000 | - | 50,000 |
| Total other financing sources | 125,000 | 124,270 | (730) | 123,481 |
| Net change in fund balances | 334 | 53,839 | 53,505 | 21,847 |
| Fund Balance - Beginning of Year | 145,549 | 145,549 | - | 123,702 |
| Fund Balance - End of Year | \$ 145,883 | \$ 199,388 | \$ 53,505 | \$ 145,549 |

City of Jackson, Michigan
Public Improvement Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Amended Budget and Actual
For the Fiscal Year Ended June 30, 2005
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

| | 2005 | | | |
|--|-------------------|--------------|--|----------------|
| | Amended Budget | Actual | Actual Over (Under) Final Budget | 2004 Actual |
| Revenues : | | | | |
| Property taxes | \$ 1,055,500 | \$ 1,071,838 | \$ 16,338 | \$ 1,024,909 |
| Investment income | 15,000 | 24,098 | 9,098 | 9,813 |
| Miscellaneous | - | - | - | 9 |
| Total revenues | 1,070,500 | 1,095,936 | 25,436 | 1,034,731 |
| Expenditures : | | | | |
| Current : | | | | |
| Community enrichment & development | 235,341 | 236,848 | (1,507) | 169,190 |
| Debt service: | | | | |
| Principal retirement | 85,000 | 85,000 | - | 20,000 |
| Interest | 7,875 | 7,876 | (1) | 8,925 |
| Total expenditures | 328,216 | 329,724 | (1,508) | 198,115 |
| Excess of revenues over (under) expenditures | 742,284 | 766,212 | 23,928 | 836,616 |
| Other Financing Uses : | | | | |
| Transfers in (out) : | | | | |
| General Fund | (151,864) | (82,662) | 69,202 | (68,589) |
| Capital Projects Fund | (292,119) | (188,689) | 103,430 | (168,189) |
| Major Street Fund | (717,992) | (717,992) | - | (182,008) |
| Total other financing (uses) | (1,161,975) | (989,343) | 172,632 | (418,786) |
| Net change in fund balances | (419,691) | (223,131) | 196,560 | 417,830 |
| Fund Balance - Beginning of Year | 606,656 | 606,656 | - | 188,826 |
| Fund Balance - End of Year | \$ 186,965 | \$ 383,525 | \$ 196,560 | \$ 606,656 |

City of Jackson, Michigan
Building Department
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Amended Budget and Actual
For the Fiscal Year Ended June 30, 2005
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

| | 2005 | | | |
|--|-------------------|------------|--|----------------|
| | Amended Budget | Actual | Actual Over (Under) Final Budget | 2004 Actual |
| Revenues : | | | | |
| Charges for services | \$ 288,800 | \$ 400,214 | \$ 111,414 | \$ 332,077 |
| Investment income | 2,200 | 2,797 | 597 | 2,630 |
| Total revenues | 291,000 | 403,011 | 112,011 | 334,707 |
| Expenditures : | | | | |
| Current : | | | | |
| Public Safety: | | | | |
| Personal services | 402,050 | 374,796 | (27,254) | 365,635 |
| Materials & supplies | 12,100 | 10,025 | (2,075) | 12,567 |
| Inspection services | 45,000 | 45,350 | 350 | 16,975 |
| Contractual & other services | 57,990 | 175,943 | 117,953 | (2,431) |
| Total expenditures | 517,140 | 606,114 | 88,974 | 392,746 |
| Excess of revenues over (under) expenditures | (226,140) | (203,103) | 23,037 | (58,039) |
| Other Financing Sources : | | | | |
| Transfers in : | | | | |
| General fund | 197,264 | 175,000 | (22,264) | 70,000 |
| Net change in fund balances | (28,876) | (28,103) | 773 | 11,961 |
| Fund Balance - Beginning of Year | 28,876 | 28,876 | - | 16,915 |
| Fund Balance - End of Year | \$ - | \$ 773 | \$ 773 | \$ 28,876 |

City of Jackson, Michigan
Budget Stabilization
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Amended Budget and Actual
For the Fiscal Year Ended June 30, 2005
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

| | 2005 | | | |
|---|-------------------|--------------|--|----------------|
| | Amended Budget | Actual | Actual Over (Under) Final Budget | 2004 Actual |
| Revenues : | | | | |
| Investment income | \$ 15,000 | \$ 11,158 | \$ (3,842) | \$ 7,253 |
| Expenditures | - | - | - | - |
| Excess of revenues over (under) expenditures | 15,000 | 11,158 | (3,842) | 7,253 |
| Other Financing Sources (Uses) : | | | | |
| Transfers in: | | | | |
| General Fund | 1,000,000 | 1,000,000 | - | - |
| Transfers (out): | | | | |
| General Fund | (15,000) | (11,158) | 3,842 | (7,253) |
| Total other financing (uses) | 985,000 | 988,842 | 3,842 | (7,253) |
| Net change in fund balances | 1,000,000 | 1,000,000 | - | - |
| Fund Balance - Beginning of Year | 603,500 | 603,500 | - | 603,500 |
| Fund Balance - End of Year | \$ 1,603,500 | \$ 1,603,500 | \$ - | \$ 603,500 |

City of Jackson, Michigan
Drug Law Enforcement Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Amended Budget and Actual
For the Fiscal Year Ended June 30, 2005
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

| | 2005 | | | |
|---|-------------------|----------|--|----------------|
| | Amended Budget | Actual | Actual Over (Under) Final Budget | 2004 Actual |
| Revenues : | | | | |
| Investment income | \$ 556 | \$ 515 | \$ (41) | \$ 751 |
| Miscellaneous : | | | | |
| Sale of property | 1,200 | 923 | (277) | 2,881 |
| Other | 28,002 | 27,536 | (466) | 64,335 |
| Total revenues | 29,758 | 28,974 | (784) | 67,967 |
| Expenditures : | | | | |
| Current : | | | | |
| Public safety : | | | | |
| Materials and supplies | - | - | - | 851 |
| Contractual and other services | 5,697 | 5,561 | (136) | 6,183 |
| Capital Outlay | - | 1 | 1 | 62,890 |
| Total expenditures | 5,697 | 5,562 | (135) | 69,924 |
| Excess of revenues over (under) expenditures | 24,061 | 23,412 | (649) | (1,957) |
| Other Financing Sources (Uses) : | | | | |
| Transfers (out): | | | | |
| LAWNET Grant Fund | (65,123) | (65,123) | - | (29,500) |
| Total other financing (uses) | (65,123) | (65,123) | - | (29,500) |
| Net change in fund balances | (41,062) | (41,711) | (649) | (31,457) |
| Fund Balance - Beginning of Year | 46,221 | 46,221 | - | 77,678 |
| Fund Balance - End of Year | \$ 5,159 | \$ 4,510 | \$ (649) | \$ 46,221 |

City of Jackson, Michigan
Local Law Enforcement Block Grant
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Amended Budget and Actual
For the Fiscal Year Ended June 30, 2005
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

| | 2005 | | | |
|--|-------------------|-----------|--|----------------|
| | Amended Budget | Actual | Actual Over (Under) Final Budget | 2004 Actual |
| Revenues : | | | | |
| Intergovernmental - Federal grants | \$ 49,923 | \$ 63,030 | \$ 13,107 | \$ 74,606 |
| Investment income | 1,310 | 1,582 | 272 | 1,368 |
| Miscellaneous | - | - | - | 1,410 |
| Total revenues | 51,233 | 64,612 | 13,379 | 77,384 |
| Expenditures : | | | | |
| Current : | | | | |
| Public safety : | | | | |
| Personal services | 64,467 | 66,232 | 1,765 | 67,400 |
| Capital outlay | 4,769 | 2,357 | (2,412) | 5,043 |
| Total expenditures | 69,236 | 68,589 | (647) | 72,443 |
| Excess of revenues over (under) expenditures | (18,003) | (3,977) | 14,026 | 4,941 |
| Other Financing Sources : | | | | |
| Transfers in : | | | | |
| General Fund | 3,675 | 3,675 | - | 7,003 |
| Net change in fund balances | (14,328) | (302) | 14,026 | 11,944 |
| Fund Balance - Beginning of Year | 21,830 | 21,830 | - | 9,886 |
| Fund Balance - End of Year | \$ 7,502 | \$ 21,528 | \$ 14,026 | \$ 21,830 |

City of Jackson, Michigan
LAWNET Grant Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Amended Budget and Actual
For the Fiscal Year Ended June 30, 2005
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

| | 2005 | | | |
|--|-------------------|-----------|--|----------------|
| | Amended Budget | Actual | Actual Over (Under) Final Budget | 2004 Actual |
| Revenues : | | | | |
| Intergovernmental - Federal grants | \$ 55,404 | \$ 55,404 | \$ - | \$ 32,352 |
| Investment income | - | 37 | 37 | 80 |
| Miscellaneous | - | - | - | 1,540 |
| Total revenues | 55,404 | 55,441 | 37 | 33,972 |
| Expenditures : | | | | |
| Current : | | | | |
| Public safety : | | | | |
| Personal services | 117,412 | 118,871 | 1,459 | 68,279 |
| Contractual and other services | 2,798 | 1,338 | (1,460) | 608 |
| Total expenditures | 120,210 | 120,209 | (1) | 68,887 |
| Excess of revenues over (under) expenditures | (64,806) | (64,768) | 38 | (34,915) |
| Other Financing Sources : | | | | |
| Transfers in : | | | | |
| Drug Law Enforcement Fund | 65,124 | 65,123 | (1) | 29,500 |
| Net change in fund balances | 318 | 355 | 37 | (5,415) |
| Fund Balance - Beginning of Year | 825 | 825 | - | 6,240 |
| Fund Balance - End of Year | \$ 1,143 | \$ 1,180 | \$ 37 | \$ 825 |

City of Jackson, Michigan
Recreation Activity Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Amended Budget and Actual
For the Fiscal Year Ended June 30, 2005
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

| | 2005 | | | |
|---|-------------------|------------|--|----------------|
| | Amended Budget | Actual | Actual Over (Under) Final Budget | 2004 Actual |
| Revenues : | | | | |
| Charges for services | \$ 321,000 | \$ 291,201 | \$ (29,799) | \$ 318,680 |
| Investment income | 1,000 | 1,504 | 504 | 668 |
| Miscellaneous | - | - | - | 4,135 |
| Total revenues | 322,000 | 292,705 | (29,295) | 323,483 |
| Expenditures : | | | | |
| Current : | | | | |
| Culture & recreation : | | | | |
| Personal services | 136,354 | 119,551 | (16,803) | 125,129 |
| Materials & supplies | 53,000 | 39,380 | (13,620) | 28,193 |
| Contractual & other services | 136,500 | 130,282 | (6,218) | 149,098 |
| Total expenditures | 325,854 | 289,213 | (36,641) | 302,420 |
| Net change in fund balances | (3,854) | 3,492 | 7,346 | 21,063 |
| Fund Balance - Beginning of Year | 68,950 | 68,950 | - | 47,887 |
| Fund Balance - End of Year | \$ 65,096 | \$ 72,442 | \$ 7,346 | \$ 68,950 |

City of Jackson, Michigan
Community Development Home Grant Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Amended Budget and Actual
For the Fiscal Year Ended June 30, 2005
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

| | 2005 | | | |
|---|-------------------|------------|--|----------------|
| | Amended Budget | Actual | Actual Over (Under) Final Budget | 2004 Actual |
| Revenues : | | | | |
| Intergovernmental - Federal and state grants | \$ 800,724 | \$ 351,842 | \$ (448,882) | \$ 661,343 |
| Miscellaneous | - | 66,489 | 66,489 | 4,824 |
| Total revenues | 800,724 | 418,331 | (382,393) | 666,167 |
| Expenditures : | | | | |
| Current : | | | | |
| Community enrichment & development | | | | |
| Rehabilitation assistance | 432,098 | 186,889 | (245,209) | 512,468 |
| Rental rehabilitation | 26,230 | - | (26,230) | - |
| Community housing development organizations | 225,981 | 119,002 | (106,979) | 56,026 |
| Administration and other | 115,915 | 112,440 | (3,475) | 97,673 |
| Total expenditures | 800,224 | 418,331 | (381,893) | 666,167 |
| Net change in fund balances | 500 | - | (500) | - |
| Fund Balance - Beginning of Year | - | - | - | - |
| Fund Balance - End of Year | \$ 500 | \$ - | \$ (500) | \$ - |

City of Jackson, Michigan
Employee Health Care Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Amended Budget and Actual
For the Fiscal Year Ended June 30, 2005
 With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

| | 2005 | | | |
|---|-------------------|------------|--|----------------|
| | Amended Budget | Actual | Variance - Favorable (Unfavorable) | 2004 Actual |
| Revenues : | | | | |
| Investment income | \$ 150 | \$ 92 | \$ (58) | \$ - |
| Total revenues | 150 | 92 | (58) | - |
| Other Financing Sources : | | | | |
| Transfers in - | | | | |
| General Fund | 250,000 | 250,000 | - | 5,000 |
| Net change in fund balances | 250,150 | 250,092 | (58) | 5,000 |
| Fund Balance - Beginning of Year | 5,000 | 5,000 | - | - |
| Fund Balance - End of Year | \$ 255,150 | \$ 255,092 | \$ (58) | \$ 5,000 |

City of Jackson, Michigan
Brownfield Assessment Grant Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Amended Budget and Actual
For the Fiscal Year Ended June 30, 2005
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2004

| | 2005 | | | |
|---|-------------------|----------|--|----------------|
| | Amended Budget | Actual | Variance - Favorable (Unfavorable) | 2004 Actual |
| Revenues : | | | | |
| Intergovernmental - Federal grants | \$ 200,000 | \$ 4,423 | \$ (195,577) | \$ - |
| Total revenues | 200,000 | 4,423 | (195,577) | - |
| Expenditures : | | | | |
| Current : | | | | |
| Public safety : | | | | |
| Materials and supplies | 2,780 | 13 | (2,767) | - |
| Contractual and other services | 188,652 | 4,410 | (184,242) | - |
| Total expenditures | 191,432 | 4,423 | (187,009) | - |
| Net change in fund balances | 8,568 | - | (8,568) | - |
| Fund Balance - Beginning of Year | - | - | - | - |
| Fund Balance - End of Year | \$ - | \$ - | \$ - | \$ - |

Nonmajor Debt Service Funds

Debt service funds are used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the government is obligated in some manner for the payment.

City Hall Construction Debt Service Fund - This fund is used to record the payment of interest and principal on the bonds issued for City Hall building improvements.

Michigan Urban Land Assembly Loan Debt Service - This fund is used to record the payment of interest and principal on the \$1,000,000 Urban Land Assembly Loan.

1998 Michigan Transportation Debt Service Fund - This fund is used to record the payment of interest and principal on the \$995,000 1998 Michigan Transportation Fund Bonds, which were used to fund a portion of the cost of constructing City street improvements.

2003 Michigan Transportation Debt Service Fund - This fund is used to record the payment of interest and principal on the \$1,750,000 2003 Series Michigan Transportation Fund Bonds, which were used to fund a portion of the cost of constructing City street improvements and a sal storage facility.

Building Authority Debt Service Fund - This fund is used to record principal and interest payments on the \$800,000 Building Authority Bonds dated June 1, 1992.

2001 DDA TIF Debt Service Fund - This fund is used to record principal and interest payments on the \$17,998,577 Downtown Development Authority bonds, used to finance the City's share of land acquisition and infrastructure improvements associated with the construction of the new Consumers Energy headquarters.

2003 BRA TIF Debt Service Fund - This fund is used to record principal and interest payments on the \$18.5 million Brownfield Redevelopment Authority Tax Increment used to finance the City's share of parking facilities and infrastructure improvements associated with the construction of the new Consumers Energy headquarters.

Section 108 Loan Debt Service - This fund is used to record principal and interest payments on the \$1,285,000 Section 108 Loan.

Special Assessment Bond Debt Service Funds - These funds are used to record principal and interest payments on Special Assessment Bond Issues used to finance public improvements deemed to benefit only properties against which special assessments are levied. The special assessment levies provide the funding for the principal and interest payments.

City of Jackson, Michigan
Nonmajor Debt Service Funds
Combining Balance Sheet
June 30, 2005

| | 2003 | Michigan | | 1998 | Michigan | | 2003 | Building Authority | | 2001 | 2002 | | Section 108 | 1996 | | Totals |
|----|-------------------------------------|---------------------------------------|---|------|-----------------------|------|-------|--------------------|--------|----------------------|----------------------|------|-------------------|--------------------------------------|------|--------|
| | City Hall Construction Debt Service | Urban Land Assembly Loan Debt Service | Michigan Transportation Fund Debt Service | | MTF Bond Debt Service | | | Debt Service | | DDA TIF Debt Service | BRA TIF Debt Service | | Loan Debt Service | Special Assessment Bond Debt Service | | |
| \$ | 1,798 | \$ - | \$ - | 7 | \$ - | \$ - | 3,351 | \$ - | 29,658 | \$ - | 4,828 | \$ - | - | 258 | \$ - | 39,900 |
| | 16,711 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 16,711 |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | 19,157 | - | 19,157 |
| \$ | 18,509 | \$ - | \$ - | 7 | \$ - | \$ - | 3,351 | \$ - | 29,658 | \$ - | 4,828 | \$ - | - | 19,415 | \$ - | 75,768 |

Assets:

Cash and cash equivalents
Due from other funds
Special assessments

Total assets

Liabilities and Fund Balances:

Liabilities:

Due to other funds
Deferred revenue - special assessments
Total liabilities

| | | | | | | | | | | | | | | | | |
|----|---|------|------|---|------|------|---|------|--------|------|---|------|---|--------|------|--------|
| \$ | - | \$ - | \$ - | - | \$ - | \$ - | - | \$ - | 18,901 | \$ - | - | \$ - | - | 6,724 | \$ - | 25,625 |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | 19,157 | - | 19,157 |
| | - | - | - | - | - | - | - | - | 18,901 | - | - | - | - | 25,881 | - | 44,782 |

Fund Balances -

Unreserved, undesignated

| | | | | | | | | | | | | | | | | |
|--------|---|---|---|---|---|-------|--------|-------|---|---------|---|---|---|---|---|--------|
| 18,509 | - | - | 7 | - | - | 3,351 | 10,757 | 4,828 | - | (6,466) | - | - | - | - | - | 30,986 |
|--------|---|---|---|---|---|-------|--------|-------|---|---------|---|---|---|---|---|--------|

Total liabilities and fund balances

| | | | | | | | | | | | | | | | | |
|----|--------|------|------|---|------|------|-------|------|--------|------|-------|------|---|--------|------|--------|
| \$ | 18,509 | \$ - | \$ - | 7 | \$ - | \$ - | 3,351 | \$ - | 29,658 | \$ - | 4,828 | \$ - | - | 19,415 | \$ - | 75,768 |
|----|--------|------|------|---|------|------|-------|------|--------|------|-------|------|---|--------|------|--------|

City of Jackson, Michigan
Nonmajor Debt Service Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2005

| | 2003 | | Michigan | | 1998 | | Michigan | | 2003 | | Building | | 2001 | | 2002 | | Section 108 | | 1996 | | Totals |
|--|-----------|--------------|----------|------------|----------|----------------|----------|-----------|---------|----------|----------|-----------|---------|-----------|---------|-----------|-------------|------------|------------|---------|-------------|
| | City Hall | Construction | Michigan | Urban Land | Michigan | Transportation | Fund | MTF Bond | Debt | Service | Debt | Service | DDA TIF | Debt | Service | BRA TIF | Debt | Service | Assessment | Bond | |
| | Debt | Debt | Assembly | Debt | Debt | Debt | Debt | Debt | Debt | Debt | Debt | Debt | Debt | Debt | Debt | Debt | Debt | Debt | Debt | Debt | |
| | Service | Service | Service | Service | Service | Service | Service | Service | Service | Service | Service | Service | Service | Service | Service | Service | Service | Service | Service | Service | |
| Revenues: | | | | | | | | | | | | | | | | | | | | | |
| Charges for services | \$ | - | \$ | - | \$ | - | \$ | - | \$ | - | \$ | - | \$ | - | \$ | - | \$ | - | \$ | - | \$ |
| Property taxes | | 541,489 | | - | | - | | - | | - | | - | | - | | - | | - | | - | 541,489 |
| Special assessments | | - | | - | | - | | - | | - | | - | | - | | - | | - | | - | 7,929 |
| Investment income | | 2,167 | | - | | - | | - | | - | | - | | 9,753 | | 5,742 | | - | | 532 | 18,194 |
| Total revenues | | 543,656 | | - | | - | | - | | - | | - | | 9,753 | | 15,742 | | - | | 8,461 | 797,196 |
| Expenditures: | | | | | | | | | | | | | | | | | | | | | |
| Debt service: | | | | | | | | | | | | | | | | | | | | | |
| Principal retirement | | 10,000 | | 144,000 | | 105,000 | | 110,000 | | 160,000 | | 275,000 | | 471,790 | | 955,721 | | 65,000 | | 85,000 | 954,000 |
| Interest & fiscal charges | | 617,956 | | - | | 18,841 | | 44,975 | | 59,584 | | 746,790 | | 955,721 | | 955,721 | | 62,424 | | 4,667 | 2,235,958 |
| Total expenditures | | 627,956 | | 144,000 | | 123,841 | | 154,975 | | 219,584 | | 746,790 | | 955,721 | | 955,721 | | 127,424 | | 89,667 | 3,189,958 |
| Excess of revenues | | (84,300) | | (144,000) | | (123,841) | | (154,975) | | - | | (757,037) | | (939,979) | | (127,424) | | (81,206) | | | (2,392,762) |
| Other Financing Sources: | | | | | | | | | | | | | | | | | | | | | |
| Transfers in | | - | | 144,000 | | 123,841 | | 154,975 | | - | | 337,099 | | 61,987 | | 127,424 | | - | | - | 949,326 |
| Total other financing | | - | | 144,000 | | 123,841 | | 154,975 | | - | | 337,099 | | 61,987 | | 127,424 | | - | | - | 949,326 |
| Net change in fund balances | | (84,300) | | - | | - | | - | | - | | (399,938) | | (877,992) | | - | | (81,206) | | | (1,443,436) |
| Fund Balances - Beginning of Year | | 102,809 | | - | | 7 | | - | | 3,351 | | 410,695 | | 882,820 | | - | | 74,740 | | | 1,474,422 |
| Fund Balances - End of Year | | \$ 18,509 | | \$ - | | \$ 7 | | \$ - | | \$ 3,351 | | \$ 10,757 | | \$ 4,828 | | \$ - | | \$ (6,466) | | | \$ 30,986 |

Nonmajor Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Capital Projects - This fund is used to account for monies set aside to fund various capital building and land improvements not otherwise funded by bond proceeds.

2001 DDA TIF Construction Fund - This fund is used to account for the proceeds of a bond issue to finance the development of a downtown office complex.

2002 BRA TIF Construction Fund - This fund is used to account for the proceeds of a bond issue to finance the City share of parking and infrastructure improvements associated with the development of a downtown office complex.

2003 MTF Bond Construction Fund - This fund is used to account for the receipt and expenditure of proceeds from the \$995,000 2003 Michigan Transportation Fund Bonds.

Downtown Development Authority Project Fund - This fund is used to account for the receipt and expenditure of tax increments based on the captured assessed value of property within the Amended Development Area.

City of Jackson, Michigan
Nonmajor Capital Projects Funds
Combining Balance Sheet
June 30, 2005

| | Capital Projects | 2001 DDA TIF Construction Fund | 2002 BRA TIF Construction Fund | 2003 MTF Bond Construction | Downtown Development Authority Project | Totals |
|---------------------------------------|-----------------------------|---|---|---|---|---------------------|
| Assets: | | | | | | |
| Cash and cash equivalents | \$ 100,741 | \$ - | \$ - | \$ - | \$ 1,555,830 | \$ 1,656,571 |
| Due from other funds | 1,659 | - | - | - | 18,901 | 20,560 |
| | <u>\$ 102,400</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,574,731</u> | <u>\$ 1,677,131</u> |
| Liabilities and Fund Balances: | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ 55,753 | \$ - | \$ - | \$ - | \$ 394 | \$ 56,147 |
| Other liabilities | 11,422 | - | - | - | - | 11,422 |
| Total liabilities | <u>67,175</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>394</u> | <u>67,569</u> |
| Fund Balances: | | | | | | |
| Unreserved : | | | | | | |
| Undesignated | 35,225 | - | - | - | 1,574,337 | 1,609,562 |
| Total fund balances | <u>35,225</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,574,337</u> | <u>1,609,562</u> |
| Total liabilities and fund balances | <u>\$ 102,400</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,574,731</u> | <u>\$ 1,677,131</u> |

City of Jackson, Michigan
Nonmajor Capital Projects Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2005

| | Capital Projects | 2001 DDA TIF Construction Fund | 2002 BRA TIF Construction Fund | 2003 MTF Bond Construction | Downtown Development Authority Project | Totals |
|--|---------------------|---|---|----------------------------------|---|--------------|
| Revenues: | | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ 869,006 | \$ 869,006 |
| Donations | 11,000 | - | - | - | - | 11,000 |
| Investment income | 7 | - | 1,620 | 4,811 | 24,556 | 30,994 |
| Total revenues | 11,007 | - | 1,620 | 4,811 | 893,562 | 911,000 |
| Expenditures: | | | | | | |
| Capital outlay - | | | | | | |
| Public works | - | - | - | 1 | - | 1 |
| Community enrichment & development | 202,598 | 35,877 | 281,972 | - | 113,791 | 634,238 |
| Total expenditures | 202,598 | 35,877 | 281,972 | 1 | 113,791 | 634,239 |
| Excess of revenues over (under) expenditures | (191,591) | (35,877) | (280,352) | 4,810 | 779,771 | 276,761 |
| Other Financing Sources (Uses): | | | | | | |
| Transfers in (out) : | | | | | | |
| General Fund | 29,124 | - | - | - | - | 29,124 |
| Public Improvement Fund | 188,689 | - | - | - | - | 188,689 |
| Community Development | 1,659 | - | - | - | - | 1,659 |
| DDA | - | - | - | - | (225,000) | (225,000) |
| Major Street Fund | - | - | - | (230,044) | - | (230,044) |
| Local Street Fund | - | - | - | (34,977) | - | (34,977) |
| 2001 DDA TIF debt service | - | (112,099) | - | - | - | (112,099) |
| 2001 BRA TIF debt service | - | - | (61,987) | - | - | (61,987) |
| Michigan Urban Land Assembly debt service | - | - | - | - | (144,000) | (144,000) |
| Auto Parking System | - | - | - | - | (28,992) | (28,992) |
| Total other financing sources (uses) | 219,472 | (112,099) | (61,987) | (265,021) | (397,992) | (617,627) |
| Net change in fund balances | 27,881 | (147,976) | (342,339) | (260,211) | 381,779 | (340,866) |
| Fund Balances - Beginning of Year | 7,344 | 147,976 | 342,339 | 260,211 | 1,192,558 | 1,950,428 |
| Fund Balances - End of Year | \$ 35,225 | \$ - | \$ - | \$ - | \$ 1,574,337 | \$ 1,609,562 |

Nonmajor Permanent Funds

Ella W. Sharp Park Endowment Fund - This fund is used to account for monies received from the estate of Ella W. Sharp.

Cuiss Endowment Fund - This fund is used to account for monies donated by Victor and Jacquelyn Cuiss.

Cemetery Perpetual Maintenance Fund - This fund is used to account for money held in trust for the perpetual care of certain cemetery lots.

City of Jackson, Michigan
Nonmajor Permanent Funds
Combining Balance Sheet
June 30, 2005

| | Ella W. Sharp Park Endowment | Cuiss Endowment | Cemetery Perpetual Maintenance | Total |
|--|---|----------------------------|---|------------------|
| Assets: | | | | |
| Cash and cash equivalents | \$ 1,672 | \$ - | \$ 35,930 | \$ 37,602 |
| Investments, at fair value | 965,225 | 25,847 | 1,572,424 | 2,563,496 |
| Interest receivable | - | - | 15,796 | 15,796 |
| Due from other funds | 225 | - | - | 225 |
| Long-term advance to other funds : | | | | |
| Ella W. Sharp Park Golf Practice Center Fund | 140,000 | - | - | 140,000 |
| Total assets | \$ 1,107,122 | \$ 25,847 | \$ 1,624,150 | \$ 2,757,119 |
| Liabilities and Fund Balance: | | | | |
| Liabilities - | | | | |
| Due to other funds | \$ - | \$ 847 | \$ 55,476 | \$ 56,323 |
| Fund Balances : | | | | |
| Reserved for : | | | | |
| Perpetual Care | - | - | 1,559,976 | 1,559,976 |
| Endowment principal - Ella Sharp Park | 1,107,122 | - | - | 1,107,122 |
| Endowment principal - Cuiss | - | 25,000 | - | 25,000 |
| Unreserved, undesignated | - | - | 8,698 | 8,698 |
| | 1,107,122 | 25,000 | 1,568,674 | 2,700,796 |
| Total liabilities and fund balances | \$ 1,107,122 | \$ 25,847 | \$ 1,624,150 | \$ 2,757,119 |

City of Jackson, Michigan
Nonmajor Permanent Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2005

| | Ella W. Sharp Park Endowment | Cuiss Endowment | Cemetery Perpetual Maintenance | Totals |
|--|---|----------------------------|---|---------------|
| Revenues : | | | | |
| Charges for services - sales | \$ - | \$ - | \$ 34,945 | \$ 34,945 |
| Investment income | 28,635 | 1,084 | 43,815 | 73,534 |
| Total operating revenues | 28,635 | 1,084 | 78,760 | 108,479 |
| Expenditures | - | 305 | 7,793 | 8,098 |
| Revenues over expenditures | 28,635 | 779 | 70,967 | 100,381 |
| Transfers in (Out) : | | | | |
| Ella W. Sharp Golf Practice Center | - | (779) | - | (779) |
| General Fund | - | - | (55,476) | (55,476) |
| Ella W. Sharp Park Operating Fund | (36,508) | - | - | (36,508) |
| Total transfers out | (36,508) | (779) | (55,476) | (92,763) |
| Net change in fund balances | (7,873) | - | 15,491 | 7,618 |
| Fund Balances - Beginning of Year | 1,114,995 | 25,000 | 1,553,183 | 2,693,178 |
| Fund Balances - End of Year | \$ 1,107,122 | \$ 25,000 | \$ 1,568,674 | \$ 2,700,796 |

Nonmajor Enterprise Funds

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises -- where the intent of the government's commission is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered through user charges or where the government's commission has decided that periodic determination of net income is appropriate for accountability purposes.

Ella W. Sharp Park Golf Practice Center Fund - This fund is used to account for the construction and operation of the Ella W. Sharp Park Golf Practice Center.

Automobile Parking System Fund - This fund is used to account for the operation of the Downtown Parking Garage and capital improvements to the City's parking system.

Parking Assessment Fund - This fund is used to account for the revenues and expenses of the City's Meterless Parking System.

City of Jackson, Michigan
Nonmajor Enterprise Funds
Combining Statement of Net Assets
June 30, 2005

| | Ella W. Sharp Park Golf Practice Center | Automobile Parking System | Parking Assessment | Totals |
|---|--|---------------------------------|-----------------------|---------------------|
| Assets : | | | | |
| Current Assets : | | | | |
| Cash and cash equivalents | \$ 12,050 | \$ 94,979 | \$ 295,067 | \$ 402,096 |
| Due from other funds | 622 | - | - | 622 |
| Current assets | <u>12,672</u> | <u>94,979</u> | <u>295,067</u> | <u>402,718</u> |
| Noncurrent Assets : | | | | |
| Capital Assets | | | | |
| Land and land improvements | 356,715 | 2,399,829 | - | 2,756,544 |
| | <u>356,715</u> | <u>2,399,829</u> | <u>-</u> | <u>2,756,544</u> |
| Less : Accumulated depreciation | 178,358 | 361,760 | - | 540,118 |
| Net capital assets | <u>178,357</u> | <u>2,038,069</u> | <u>-</u> | <u>2,216,426</u> |
| Total assets | <u>191,029</u> | <u>2,133,048</u> | <u>295,067</u> | <u>2,619,144</u> |
| Liabilities : | | | | |
| Current Liabilities : | | | | |
| Accounts payable | 4,198 | - | 272 | 4,470 |
| Accrued payroll | 2,624 | 134 | 1,509 | 4,267 |
| Installment purchase contract payable | - | 50,000 | - | 50,000 |
| Total current liabilities | <u>6,822</u> | <u>50,134</u> | <u>1,781</u> | <u>58,737</u> |
| Non-Current Liabilities : | | | | |
| Long term advance from Ella W. Sharp Park | | | | |
| Endowment Fund | 140,000 | - | - | 140,000 |
| Installment purchase contract payable | - | 400,000 | - | 400,000 |
| Total non-current liabilities | <u>140,000</u> | <u>400,000</u> | <u>-</u> | <u>540,000</u> |
| Total liabilities | <u>146,822</u> | <u>450,134</u> | <u>1,781</u> | <u>598,737</u> |
| Net Assets : | | | | |
| Invested in capital assets, | | | | |
| net of related debt | 178,357 | 1,588,069 | - | 1,766,426 |
| Unrestricted | (134,150) | 94,845 | 293,286 | 253,981 |
| Total net assets | <u>\$ 44,207</u> | <u>\$ 1,682,914</u> | <u>\$ 293,286</u> | <u>\$ 2,020,407</u> |

City of Jackson, Michigan
Nonmajor Enterprise Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Fiscal Year Ended June 30, 2005

| | Ella W. Sharp Park Golf Practice Center | Automobile Parking System | Parking Assessment | Totals |
|---|--|---------------------------------|-----------------------|--------------|
| Operating Revenues: | | | | |
| Charges for sales and services | \$ 47,841 | \$ 65,791 | \$ 62,727 | \$ 176,359 |
| Total operating revenues | 47,841 | 65,791 | 62,727 | 176,359 |
| Operating Expenses: | | | | |
| Personal services | 36,855 | - | 53,666 | 90,521 |
| Materials and supplies | 6,754 | - | - | 6,754 |
| Contractual and other services | 2,277 | 44,454 | 84,634 | 131,365 |
| Depreciation | 17,836 | 47,060 | - | 64,896 |
| Total operating expenses | 63,722 | 91,514 | 138,300 | 293,536 |
| Operating income (loss) | (15,881) | (25,723) | (75,573) | (117,177) |
| Non-operating Revenues (Expenses): | | | | |
| Investment income | 136 | 1,726 | 5,675 | 7,537 |
| Interest and fiscal charges | (3,500) | (22,278) | - | (25,778) |
| Total non-operating revenues (expenses) | (3,364) | (20,552) | 5,675 | (18,241) |
| Loss before transfers | (19,245) | (46,275) | (69,898) | (135,418) |
| Transfers In: | | | | |
| Transfers In - General Fund | - | - | 16,295 | 16,295 |
| Transfers In - Special Assessment | | | | |
| Capital Projects | - | - | 58,525 | 58,525 |
| Transfers In - Cuiss Endowment | 779 | - | - | 779 |
| Transfers In - DDA Capital Projects | - | 28,992 | - | 28,992 |
| Total transfers in | 779 | 28,992 | 74,820 | 104,591 |
| Change in net assets | (18,466) | (17,283) | 4,922 | (30,827) |
| Net Assets - Beginning of Year | 62,673 | 1,700,197 | 288,364 | 2,051,234 |
| Net Assets - End of Year | \$ 44,207 | \$ 1,682,914 | \$ 293,286 | \$ 2,020,407 |

City of Jackson, Michigan
Nonmajor Enterprise Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2005

| | Ella W. Sharp Park Golf Practice Center | Automobile Parking System | Parking Assessment | Totals |
|--|--|---------------------------------|-----------------------|--------------------|
| Cash flows from operating activities | | | | |
| Payments to employees | \$ (35,303) | \$ - | \$ (53,428) | \$ (88,731) |
| Payments to vendors and claimants | (9,354) | (44,356) | (84,374) | (138,084) |
| Receipts from customers and users | 47,841 | 65,791 | 62,727 | 176,359 |
| | <u>3,184</u> | <u>21,435</u> | <u>(75,075)</u> | <u>(50,456)</u> |
| Net cash provided by (used in) operating activities | | | | |
| Cash flows from capital and related financing activities | | | | |
| Principal paid on long-term debt | - | (50,000) | - | (50,000) |
| Interest paid on long-term debt | (3,500) | (22,278) | - | (25,778) |
| | <u>(3,500)</u> | <u>(72,278)</u> | <u>-</u> | <u>(75,778)</u> |
| Net cash used in capital and related financing activities | | | | |
| Cash flows from non-capital financing activities | | | | |
| Transfer in | 779 | 28,992 | 74,820 | 104,591 |
| | <u>779</u> | <u>28,992</u> | <u>74,820</u> | <u>104,591</u> |
| Cash flows from investing activities | | | | |
| Interest received on investments | 136 | 1,726 | 5,675 | 7,537 |
| | <u>136</u> | <u>1,726</u> | <u>5,675</u> | <u>7,537</u> |
| Net increase (decrease) in cash and cash equivalents | 599 | (20,125) | 5,420 | (14,106) |
| Cash and cash equivalents, beginning of year | 11,451 | 115,104 | 289,647 | 416,202 |
| | <u>11,451</u> | <u>115,104</u> | <u>289,647</u> | <u>416,202</u> |
| Cash and cash equivalents, end of year | <u>\$ 12,050</u> | <u>\$ 94,979</u> | <u>\$ 295,067</u> | <u>\$ 402,096</u> |
| Reconciliation of operating income to net cash provided by operating activities | | | | |
| Operating income (loss) | \$ (15,881) | \$ (25,723) | \$ (75,573) | \$ (117,177) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Depreciation | 17,836 | 47,060 | - | 64,896 |
| Increase (decrease) in: | | | | |
| Accounts payable | 1,155 | 98 | 238 | 1,491 |
| Accrued payroll | 74 | - | 260 | 334 |
| | <u>19,065</u> | <u>47,158</u> | <u>298</u> | <u>1,823</u> |
| Net cash provided by (used in) operating activities | <u>\$ 3,184</u> | <u>\$ 21,435</u> | <u>\$ (75,075)</u> | <u>\$ (50,456)</u> |

Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Workers' Compensation Fund - This fund is used to record the activity of the City's self-insured workers compensation program. Revenues are supplied by charges to various City funds.

Motor Pool And Garage Fund - This fund is used to record the operations of the City's motor vehicle pool at the Department of Public Works. Revenues are supplied by equipment rental charges to other funds of the City.

Public Works Administration Fund - This fund is used to account for the administrative operations of the City's Department of Public Works.

Engineering Administration Fund - This fund is used to account for the administrative operations of the City's Engineering Department.

City of Jackson, Michigan
Internal Service Funds
Combining Statement of Net Assets
June 30, 2005

| | Workers' Compensation | Motor Pool and Garage | Public Works Administration Fund | Engineering Administration Fund | Totals |
|--|----------------------------------|--------------------------------------|---|--|---------------|
| Assets : | | | | | |
| Current Assets : | | | | | |
| Cash and cash equivalents | \$ 1,098,143 | 1,250,991 | \$ 242,161 | \$ 141,032 | \$ 2,732,327 |
| Accounts receivable | - | - | 105,188 | - | 105,188 |
| Prepaid items | 46,000 | - | - | - | 46,000 |
| Total current assets | 1,144,143 | 1,250,991 | 347,349 | 141,032 | 2,883,515 |
| Noncurrent Assets: | | | | | |
| Long-term advances | | | | | |
| Special Assessment Capital Projects Fund | 805,466 | - | - | - | 805,466 |
| Capital assets | | | | | |
| Equipment | - | 3,239,581 | - | - | 3,239,581 |
| Less : Accumulated depreciation | - | 2,729,301 | - | - | 2,729,301 |
| Net capital assets | - | 510,280 | - | - | 510,280 |
| Total noncurrent assets | 805,466 | 510,280 | - | - | 1,315,746 |
| Total assets | 1,949,609 | 1,761,271 | 347,349 | 141,032 | 4,199,261 |
| Liabilities : | | | | | |
| Current Liabilities : | | | | | |
| Accounts payable | 14,305 | 23,184 | 49,183 | 11,620 | 98,292 |
| Accrued payroll | - | 6,913 | 15,593 | 6,065 | 28,571 |
| Accrued compensated absences | - | - | 3,393 | 8,382 | 11,775 |
| Total current liabilities | 14,305 | 30,097 | 68,169 | 26,067 | 138,638 |
| Non-Current Liabilities : | | | | | |
| Accrued compensated absences | - | - | 60,941 | 25,560 | 86,501 |
| Estimated claims payable | 512,007 | - | - | - | 512,007 |
| Total non-current liabilities | 512,007 | - | 60,941 | 25,560 | 598,508 |
| Total liabilities | 526,312 | 30,097 | 129,110 | 51,627 | 737,146 |
| Net assets : | | | | | |
| Investment in capital assets, net of related debt | - | 510,280 | - | - | 510,280 |
| Unrestricted | 1,423,297 | 1,220,894 | 218,239 | 89,405 | 2,951,835 |
| Total net assets | \$ 1,423,297 | 1,731,174 | \$ 218,239 | \$ 89,405 | \$ 3,462,115 |

City of Jackson, Michigan
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Fiscal Year Ended June 30, 2005

| | Workers' Compensation | Motor Pool and Garage | Public Works Administration Fund | Engineering Administration Fund | Totals |
|---|----------------------------------|--------------------------------------|---|--|---------------|
| Operating Revenues: | | | | | |
| Charges for services: | | | | | |
| Equipment rentals | \$ - | \$ 1,052,023 | \$ 602,864 | \$ 343,997 | \$ 1,998,884 |
| Services rendered | 235,417 | - | - | - | 235,417 |
| Miscellaneous | 31,014 | 58,737 | 7,898 | 260 | 97,909 |
| Total operating revenues | 266,431 | 1,110,760 | 610,762 | 344,257 | 2,332,210 |
| Operating Expenses: | | | | | |
| Personal services | - | 273,429 | 563,244 | 270,988 | 1,107,661 |
| Administration | - | - | 78,080 | 92,101 | 170,181 |
| Materials and supplies | - | 294,094 | - | - | 294,094 |
| Contractual and other services | 8,280 | 247,698 | - | - | 255,978 |
| Benefit payments: | | | | | |
| Workers' compensation claims | 228,348 | - | - | - | 228,348 |
| Workers' compensation administrative fees and reinsurance | 68,208 | - | - | - | 68,208 |
| Equipment | - | 936 | - | - | 936 |
| Depreciation | - | 143,285 | - | - | 143,285 |
| Total operating expenses | 304,836 | 959,442 | 641,324 | 363,089 | 2,268,691 |
| Operating income (loss) | (38,405) | 151,318 | (30,562) | (18,832) | 63,519 |
| Non-operating Revenues (Expenses): | | | | | |
| Investment income | 36,448 | 20,658 | 8,721 | 2,882 | 68,709 |
| Total non-operating revenues | 36,448 | 20,658 | 8,721 | 2,882 | 68,709 |
| Net income (loss) | (1,957) | 171,976 | (21,841) | (15,950) | 132,228 |
| Net Assets - Beginning of Year | 1,425,254 | 1,559,198 | 240,080 | 105,355 | 3,329,887 |
| Net Assets - End of Year | \$ 1,423,297 | \$ 1,731,174 | \$ 218,239 | \$ 89,405 | \$ 3,462,115 |

City of Jackson, Michigan
Internal Service Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2005

| | Workers' Compensation | Motor Pool and Garage | Public Works Administration Fund | Engineering Administration Fund | Totals |
|---|--------------------------|-----------------------------|--|---------------------------------------|---------------------|
| Cash flows from operating activities | | | | | |
| Payments to employees | \$ - | \$ (273,065) | \$ (515,179) | \$ (260,655) | \$ (1,048,899) |
| Payments to vendors and claimants | (206,042) | (538,613) | (97,301) | (96,517) | (938,473) |
| Receipts for interfund services provided | 266,431 | 1,110,760 | 583,929 | 344,257 | 2,305,377 |
| Net cash provided by (used in) operating activities | 60,389 | 299,082 | (28,551) | (12,915) | 318,005 |
| Cash flows from capital and related financing activities | | | | | |
| Purchase of capital assets | - | (5,828) | - | - | (5,828) |
| Principal and interest repaid on advances | (88,077) | - | - | - | (88,077) |
| Net cash used in capital and related financing activities | (88,077) | (5,828) | - | - | (93,905) |
| Cash flows from investing activities | | | | | |
| Interest received on investments | 36,448 | 20,658 | 8,721 | 2,882 | 68,709 |
| Net increase (decrease) in cash and cash equivalents | 8,760 | 313,912 | (19,830) | (10,033) | 292,809 |
| Cash and cash equivalents, beginning of year | 1,089,383 | 937,079 | 261,991 | 151,065 | 2,439,518 |
| Cash and cash equivalents, end of year | \$ 1,098,143 | \$ 1,250,991 | \$ 242,161 | \$ 141,032 | \$ 2,732,327 |
| Reconciliation of operating income to net cash provided by operating activities | | | | | |
| Operating income (loss) | \$ (38,405) | \$ 151,318 | \$ (30,562) | \$ (18,832) | \$ 63,519 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | | |
| Depreciation | - | 143,285 | - | - | 143,285 |
| (Increase) decrease in: | | | | | |
| Accounts receivable | - | - | (26,833) | - | (26,833) |
| Increase (decrease) in: | | | | | |
| Accounts payable | 8,777 | 4,115 | 38,178 | 9,055 | 60,125 |
| Accrued payroll | - | 364 | (19,221) | (4,416) | (23,273) |
| Accrued compensated absences | - | - | 9,887 | 1,278 | 11,165 |
| Estimated claims payable | 90,017 | - | - | - | 90,017 |
| Net cash provided by (used in) operating activities | \$ 60,389 | \$ 299,082 | \$ (28,551) | \$ (12,915) | \$ 318,005 |

Agency Funds

Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds.

Payroll Clearing - This fund is used to process City-wide payroll.

Jeopardy Tax Fund - This fund is used to account for advance personal property payments from dissolved businesses.

County And School Tax Collection Fund - This fund is used to record transactions arising from the collection of taxes for the County of Jackson, Jackson Community College, Jackson Transit Authority and Jackson Public Schools.

Employee Bond Savings Fund - This fund is used to account for employee payroll deductions and related purchases of United States Savings Bonds.

Mechanic Street Escrow Fund - This fund is used to account for escrow deposits on a development project.

Community Development Block Grant Escrow Fund - This fund was established to act as an escrow depository for all loans and grants related to the City's Community Development Block Grant Rehabilitation Program.

Act 495 Fire Trust Fund - This fund was established to hold escrowed amounts from insurance proceeds due to fire loss in order to ensure that the damaged property is rehabilitated by the owner's.

**City of Jackson, Michigan
All Agency Funds
Combining Balance Sheet
June 30, 2005**

| | Payroll Clearing | Jeopardy Tax | County and School Tax Collection | Employee Bond Savings | Mechanic St Escrow Account | Community Development Block Grant Escrow | Act 495 Fire Trust Fund | Total |
|---------------------------|---------------------|-----------------|---|-----------------------------|----------------------------------|--|-------------------------------|--------------|
| Assets : | | | | | | | | |
| Cash and cash equivalents | \$ 17,019 | \$ 2,410 | \$ 1,961,505 | \$ 575 | \$ 73 | \$ 2,000 | \$ 20,568 | \$ 2,004,150 |
| | 17,019 | 2,410 | 1,961,505 | 575 | 73 | 2,000 | 20,568 | 2,004,150 |
| Liabilities : | | | | | | | | |
| Accounts payable | \$ (3,242) | \$ - | \$ - | \$ - | \$ - | \$ 2,000 | \$ - | \$ (1,242) |
| Due to other governments | (60,448) | 2,410 | 2,022,885 | - | - | - | - | 1,964,847 |
| Other liabilities | 80,709 | - | (61,380) | 575 | 73 | - | 20,568 | 40,545 |
| Total liabilities | \$ 17,019 | \$ 2,410 | \$ 1,961,505 | \$ 575 | \$ 73 | \$ 2,000 | \$ 20,568 | \$ 2,004,150 |

City of Jackson, Michigan
All Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2005

| | Balance June 30, 2004 | Additions | Deductions | Balance June 30, 2005 |
|--|--------------------------|----------------------|----------------------|--------------------------|
| Payroll clearing account | | | | |
| Assets : | | | | |
| Cash and cash equivalents | \$ 120,378 | \$ - | \$ 103,359 | \$ 17,019 |
| | <u>\$ 120,378</u> | <u>\$ -</u> | <u>\$ 103,359</u> | <u>\$ 17,019</u> |
| Liabilities : | | | | |
| Accounts payable | \$ - | \$ - | \$ 3,242 | \$ (3,242) |
| Due to other government units | 120,378 | 26,483,119 | 26,522,788 | 20,261 |
| | <u>\$ 120,378</u> | <u>\$ 26,483,119</u> | <u>\$ 26,526,030</u> | <u>\$ 17,019</u> |
| Jeopardy Tax Fund : | | | | |
| Assets : | | | | |
| Pooled cash and cash equivalents | \$ 2,410 | \$ - | \$ - | \$ 2,410 |
| | <u>\$ 2,410</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,410</u> |
| Liabilities : | | | | |
| Due to General Fund | \$ - | \$ - | \$ - | \$ - |
| Due to other governmental units | 2,410 | - | - | 2,410 |
| | <u>\$ 2,410</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,410</u> |
| County & School Tax Collection Fund : | | | | |
| Assets : | | | | |
| Cash and cash equivalents | \$ 12,928 | \$ 31,212,054 | \$ 29,263,477 | \$ 1,961,505 |
| Taxes receivable - real | - | 22,641,904 | 22,641,904 | - |
| | <u>\$ 12,928</u> | <u>\$ 53,853,958</u> | <u>\$ 51,905,381</u> | <u>\$ 1,961,505</u> |
| Liabilities : | | | | |
| Due to other governmental units : | | | | |
| Undistributed tax collections : | | | | |
| Jackson County | \$ - | \$ 3,759,616 | \$ 3,759,616 | \$ - |
| Jackson Public Schools | - | 7,500,975 | 7,500,975 | - |
| Northwest Schools | - | 19,071 | 19,071 | - |
| Michigan Center Schools | - | 88,494 | 88,494 | - |
| East Jackson Schools | - | 6,248 | 6,248 | - |
| Jackson Intermediate School District | - | 4,443,539 | 4,443,539 | - |
| Jackson Community College | - | 634,441 | 634,441 | - |
| Jackson Transportation Authority | - | 505,172 | 505,172 | - |
| State of Michigan - Industrial Facilities Tax | - | 835,229 | 835,229 | - |
| State of Michigan - State Education Tax | - | 3,295,229 | 3,295,229 | - |
| Other | 12,928 | 11,894,296 | 9,945,719 | 1,961,505 |
| | <u>\$ 12,928</u> | <u>\$ 32,982,310</u> | <u>\$ 31,033,733</u> | <u>\$ 1,961,505</u> |
| Employee Bond Savings Fund : | | | | |
| Assets : | | | | |
| Pooled cash and cash equivalents | \$ 630 | \$ 7,695 | \$ 7,750 | \$ 575 |
| | <u>\$ 630</u> | <u>\$ 7,695</u> | <u>\$ 7,750</u> | <u>\$ 575</u> |
| Liabilities : | | | | |
| Employees' bond deductions payable | \$ 630 | \$ 7,695 | \$ 7,750 | \$ 575 |
| | <u>\$ 630</u> | <u>\$ 7,695</u> | <u>\$ 7,750</u> | <u>\$ 575</u> |
| Mechanic Street Escrow Account | | | | |
| Assets : | | | | |
| Cash and cash equivalents | \$ 73 | \$ - | \$ - | \$ 73 |
| | <u>\$ 73</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 73</u> |
| Liabilities : | | | | |
| Customer deposits payable | \$ 73 | \$ - | \$ - | \$ 73 |
| | <u>\$ 73</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 73</u> |

Continued

City of Jackson, Michigan
All Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2005
(Continued)

| | Balance June 30, 2004 | Additions | Deductions | Balance June 30, 2005 |
|--|--------------------------|---------------|---------------|--------------------------|
| Community Development Block Grant Escrow Fund : | | | | |
| Assets : | | | | |
| Cash and cash equivalents | \$ 57,913 | \$ 12,624 | \$ 68,537 | \$ 2,000 |
| Liabilities : | | | | |
| Accounts payable | \$ 57,913 | \$ 12,624 | \$ 68,537 | \$ 2,000 |
| Act 495 Fire Trust Fund | | | | |
| Assets : | | | | |
| Cash and cash equivalents | \$ 33,367 | \$ 20,637 | \$ 33,436 | \$ 20,568 |
| Liabilities : | | | | |
| Insurance deposits | \$ 33,367 | \$ 20,637 | \$ 33,436 | \$ 20,568 |
| * * * * * | | | | |
| Totals : | | | | |
| Assets : | | | | |
| Pooled cash and cash equivalents | \$ 3,040 | \$ 7,695 | \$ 7,750 | \$ 2,985 |
| Cash and cash equivalents | 224,659 | 31,245,315 | 29,468,809 | 2,001,165 |
| Taxes receivable - real | - | 22,641,904 | 22,641,904 | - |
| | \$ 227,699 | \$ 53,894,914 | \$ 52,118,463 | \$ 2,004,150 |
| Liabilities : | | | | |
| Accounts payable | \$ 57,913 | \$ 12,624 | \$ 71,779 | \$ (1,242) |
| Due to other governmental units : | | | | |
| Undistributed tax collections : | | | | |
| Jackson County | - | 3,759,616 | 3,759,616 | - |
| Jackson Public Schools | - | 7,500,975 | 7,500,975 | - |
| Northwest Schools | - | 19,071 | 19,071 | - |
| Michigan Center Schools | - | 88,494 | 88,494 | - |
| East Jackson Schools | - | 6,248 | 6,248 | - |
| Jackson Intermediate School District | - | 4,443,539 | 4,443,539 | - |
| Jackson Community College | - | 634,441 | 634,441 | - |
| Jackson Transportation Authority | - | 505,172 | 505,172 | - |
| State of Michigan - Industrial Facilities Tax | - | 835,229 | 835,229 | - |
| State of Michigan - State Education Tax | - | 3,295,229 | 3,295,229 | - |
| Other | 135,789 | 38,377,415 | 36,528,955 | 1,984,249 |
| Other liabilities : | | | | |
| Employees' bond deductions payable | 630 | 7,695 | 7,750 | 575 |
| Insurance deposits | 33,367 | 20,637 | 33,436 | 20,568 |
| | \$ 227,699 | \$ 59,506,385 | \$ 57,729,934 | \$ 2,004,150 |

City of Jackson, Michigan
Balance Sheet / Statement of Net Assets
Brownfield Redevelopment Authority Component Unit
June 30, 2005

| | <u>Capital Projects</u> | | |
|------------------------------------|-------------------------|--------------------|----------------------|
| | Brownfield | | Statement |
| | Redevelopment | Adjustments | of Net Assets |
| | Authority | | |
| Assets: | | | |
| Pooled cash and cash equivalents | \$ 2,145,348 | \$ - | \$ 2,145,348 |
| | <u>2,145,348</u> | | |
| Liabilities | | | |
| Accounts payable | \$ 107,138 | - | 107,138 |
| | <u>107,138</u> | | |
| Fund Balances : | | | |
| Unreserved - undesignated | 2,038,210 | (2,038,210) | - |
| | <u>2,038,210</u> | <u>(2,038,210)</u> | <u>-</u> |
| | | | |
| Total liabilities and fund balance | <u>\$ 2,145,348</u> | | |
| Net Assets : | | | |
| Unrestricted | | \$ 2,038,210 | \$ 2,038,210 |
| | | <u>2,038,210</u> | <u>2,038,210</u> |

City of Jackson, Michigan
Statement of Revenue, Expenditures
and Changes in Fund Balances / Statement of Activities
Brownfield Redevelopment Authority Component Unit
For the Fiscal Year Ended June 30, 2005

| | <u>Capital Projects</u> | | |
|---|-------------------------|--------------------|----------------------|
| | Brownfield | | Statement |
| | Redevelopment | Adjustments | of Activities |
| | Authority | | |
| Revenue: | | | |
| Property tax | \$ 1,334,954 | \$ - | \$ 1,334,954 |
| Interest revenue | 18,208 | - | 18,208 |
| Total revenue | 1,353,162 | - | 1,353,162 |
| Expenditures/Expenses: | | | |
| Community enrichment | 310,219 | - | 310,219 |
| Excess of revenues over expenditures | 1,042,943 | - | - |
| Change in net assets | - | - | 1,042,943 |
| Fund Balances / Net Assets - Beginning of year | 995,267 | - | 995,267 |
| Fund Balances / Net Assets - End of year | \$ 2,038,210 | \$ - | \$ 2,038,210 |

STATISTICAL SECTION

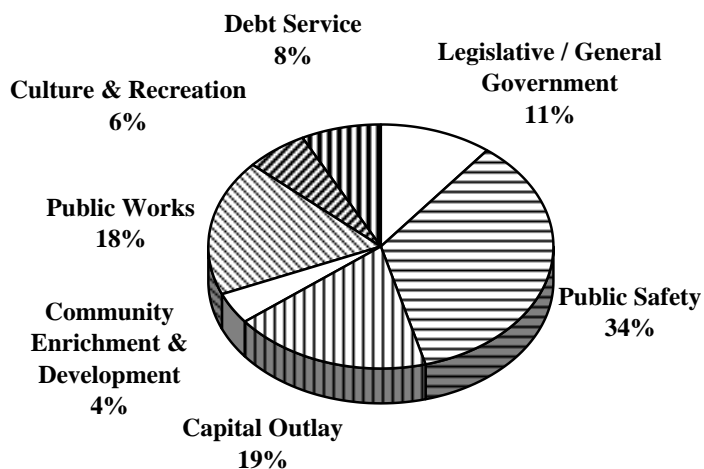
City of Jackson, Michigan
Governmental Fund Expenditures by Function (1)
Last Ten Fiscal Years

Table 1

| Fiscal Year | Legislative | General Government | Public Safety | Public Works | Culture and Recreation | Community Enrichment and Development | Capital Outlay | Debt Service | Total |
|-------------|-------------|--------------------|---------------|--------------|------------------------|--------------------------------------|----------------|--------------|---------------|
| 1996 | \$ 51,463 | \$ 3,316,612 | \$ 12,597,071 | \$ 7,710,673 | \$ 1,669,795 | \$ 1,958,213 | \$ 41,570 | \$ 1,478,496 | \$ 28,823,893 |
| 1997 | 59,112 | 3,432,620 | 13,612,267 | 7,074,128 | 1,816,325 | 2,537,467 | 41,329 | 1,561,850 | 30,135,098 |
| 1998 | 63,287 | 4,207,280 | 13,783,936 | 5,658,140 | 2,133,522 | 1,758,413 | 99,795 | 1,650,621 | 29,354,994 |
| 1999 | 47,067 | 4,108,196 | 13,863,581 | 7,388,586 | 2,098,722 | 2,335,670 | 481,930 | 811,157 | 31,134,909 |
| 2000 | 58,791 | 3,894,168 | 13,862,836 | 7,012,898 | 2,039,918 | 2,928,144 | 629,992 | 845,036 | 31,271,783 |
| 2001 | 61,317 | 4,002,020 | 14,123,279 | 8,489,758 | 2,098,837 | 4,281,114 | 13,323,432 | 765,231 | 47,144,988 |
| 2002 | 75,940 | 4,283,723 | 13,353,931 | 5,587,490 | 2,432,546 | 2,168,430 | 2,187,506 | 1,451,597 | 31,541,163 |
| 2003 | 76,713 | 4,432,218 | 13,816,626 | 9,323,432 | 2,555,559 | 16,208,105 | 947,770 | 2,456,507 | 49,816,930 |
| 2004 | 76,344 | 4,366,698 | 14,282,280 | 6,179,742 | 2,463,750 | 2,644,390 | 4,048,998 | 2,563,578 | 36,625,780 |
| 2005 | 70,428 | 4,481,144 | 15,252,256 | 7,860,861 | 2,432,741 | 1,816,545 | 8,094,359 | 3,282,834 | 43,291,168 |

(1) Includes general, special revenue, debt service and capital project funds.

Governmental Fund Expenditures By Function
Fiscal Year 2005



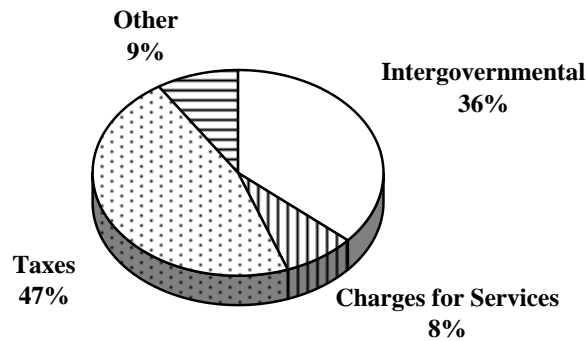
City of Jackson, Michigan
Governmental Fund Revenues By Source (1)
Last Ten Fiscal Years

Table 2

| Fiscal Year | Taxes | Licenses and Permits | Inter-Governmental | Charges for Services | Fines and Forfeits | Special Assessments | Investment Income | Miscellaneous | Total |
|--------------------|---------------|-----------------------------|---------------------------|-----------------------------|---------------------------|----------------------------|--------------------------|----------------------|---------------|
| 1996 | \$ 12,806,087 | \$ 310,794 | \$ 11,469,914 | \$ 1,879,215 | \$ 195,638 | \$ 518,089 | \$ 443,183 | \$ 502,078 | \$ 28,124,998 |
| 1997 | 13,409,012 | 322,544 | 10,714,223 | 1,992,246 | 206,547 | 518,471 | 469,706 | 585,727 | 28,218,476 |
| 1998 | 13,850,717 | 339,358 | 11,154,020 | 2,132,051 | 283,761 | 435,692 | 432,867 | 1,410,986 | 30,039,452 |
| 1999 | 13,425,400 | 446,626 | 12,356,559 | 2,260,705 | 335,621 | 614,222 | 389,208 | 686,017 | 30,514,358 |
| 2000 | 13,631,682 | 358,074 | 12,562,148 | 2,101,178 | 358,667 | 375,912 | 444,178 | 661,046 | 30,492,885 |
| 2001 | 13,702,763 | 486,357 | 16,474,679 | 2,072,603 | 344,046 | 368,804 | 468,792 | 1,275,535 | 35,193,579 |
| 2002 | 13,372,157 | 542,190 | 11,894,532 | 2,344,427 | 276,971 | 383,620 | 412,101 | 807,545 | 30,033,543 |
| 2003 | 13,596,113 | 218,273 | 14,305,787 | 2,882,738 | 250,233 | 266,702 | 476,978 | 1,475,169 | 33,471,993 |
| 2004 | 14,879,726 | 216,538 | 11,534,408 | 2,875,007 | 264,746 | 478,716 | 253,453 | 1,454,100 | 31,956,694 |
| 2005 | 16,325,697 | 254,973 | 12,845,112 | 2,832,829 | 258,178 | 249,531 | 311,614 | 2,135,528 | 35,213,462 |

(1) Includes general, special revenue, debt service and capital project funds.

Governmental Fund Revenues By Source
Fiscal Year 2005

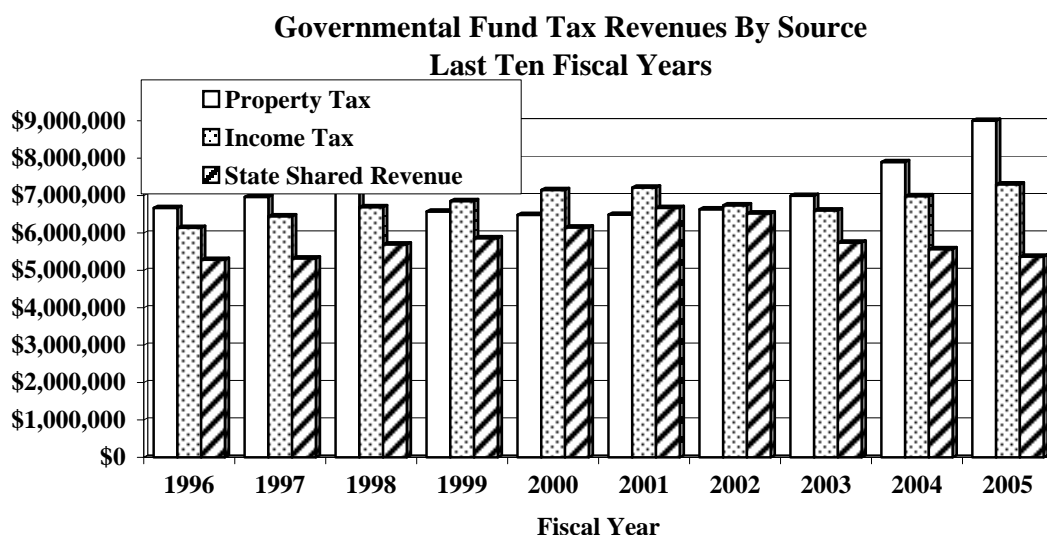


City of Jackson, Michigan
Governmental Fund Tax Revenues By Source (1)
Last Ten Fiscal Years

Table 2a

| Fiscal Year | Property Tax (2) | Income Tax | State Shared Revenue (3) | Total |
|-------------|------------------|--------------|--------------------------|---------------|
| 1996 | \$ 6,668,800 | \$ 6,137,287 | \$ 5,282,230 | \$ 18,088,317 |
| 1997 | 6,962,171 | 6,446,841 | 5,319,405 | 18,728,417 |
| 1998 | 7,160,581 | 6,690,136 | 5,694,297 | 19,545,014 |
| 1999 | 6,572,678 | 6,852,722 | 5,860,341 | 19,285,741 |
| 2000 | 6,483,288 | 7,148,394 | 6,147,532 | 19,779,214 |
| 2001 | 6,488,224 | 7,214,539 | 6,669,977 | 20,372,740 |
| 2002 | 6,632,326 | 6,739,831 | 6,523,137 | 19,895,294 |
| 2003 | 6,993,620 | 6,602,493 | 5,743,258 | 19,339,371 |
| 2004 | 7,895,666 | 6,984,060 | 5,566,596 | 20,446,322 |
| 2005 | 9,025,685 | 7,300,012 | 5,366,627 | 21,692,324 |

- (1) Includes general, special revenue, debt service and capital project funds.
(2) Differs from actual levy shown on Table 3 due to method of recognition of delinquent personal property taxes.
(3) Amounts shown includes only revenue sharing distributions made under the State Revenue Sharing Act of 1971 and by Act 342, Public Acts of Michigan, 1996, which amended that Act.



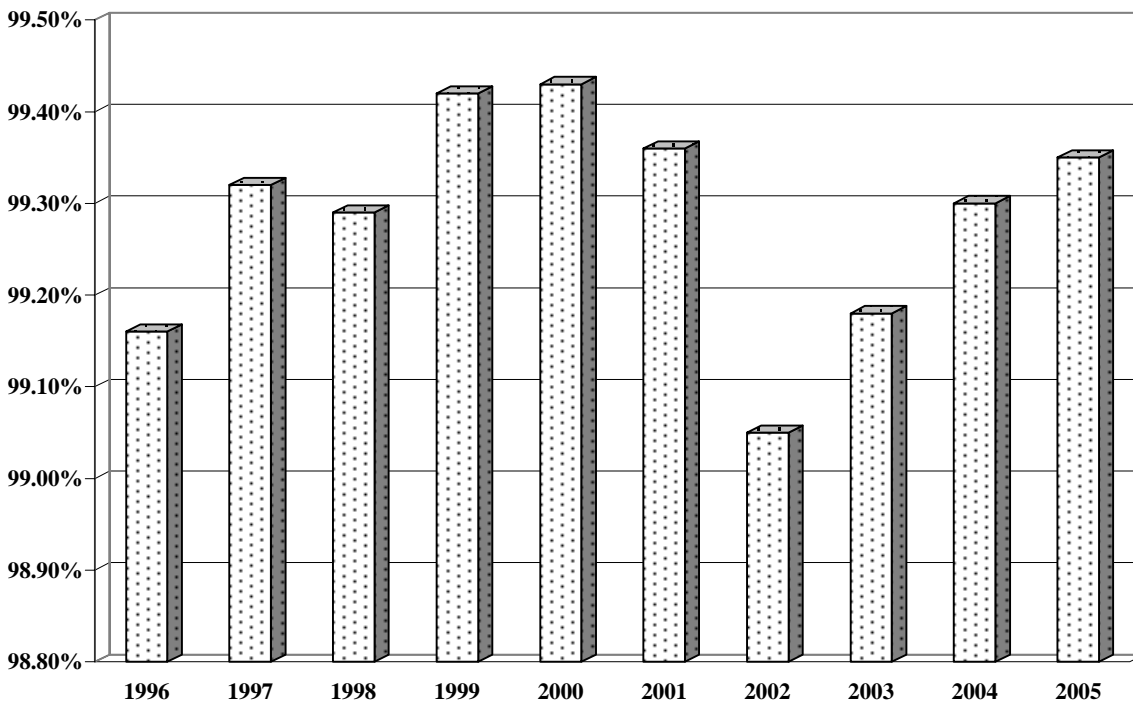
City of Jackson, Michigan
Property Tax Levies and Collections
Last Ten Fiscal Years

Table 3

| Fiscal Year(1) | Total Tax Levy | Current Tax Collections | Percent of Current Taxes Collected | Delinquent Tax Collections | Total Tax Collections | Ratio of Total Tax Collections to Total Tax Levy | Outstanding Delinquent Taxes | Ratio of Delinquent Taxes to Total Tax Levy |
|-------------------|----------------------|-------------------------------|---|----------------------------------|-----------------------------|--|------------------------------------|---|
| 1996 | \$ 6,549,521 | \$ 6,003,199 | 91.66% | \$ 491,001 | \$ 6,494,200 | 99.16% | \$ 55,321 | 0.84% |
| 1997 | 6,846,937 | 6,283,903 | 91.78% | 516,659 | 6,800,562 | 99.32% | 46,375 | 0.68% |
| 1998 | 7,007,246 | 6,478,730 | 92.46% | 479,062 | 6,957,792 | 99.29% | 49,454 | 0.71% |
| 1999 | 6,468,370 | 5,993,199 | 92.65% | 437,451 | 6,430,650 | 99.42% | 37,720 | 0.58% |
| 2000 | 6,403,803 | 5,920,634 | 92.45% | 446,418 | 6,367,052 | 99.43% | 36,751 | 0.57% |
| 2001 | 6,411,359 | 5,939,660 | 92.64% | 430,663 | 6,370,323 | 99.36% | 41,036 | 0.64% |
| 2002 | 6,519,371 | 6,016,302 | 92.28% | 440,904 | 6,457,206 | 99.05% | 62,165 | 0.95% |
| 2003 | 6,699,761 | 6,195,766 | 92.48% | 448,880 | 6,644,646 | 99.18% | 55,115 | 0.82% |
| 2004 | 7,760,751 | 7,239,082 | 93.28% | 467,710 | 7,706,792 | 99.30% | 53,959 | 0.70% |
| 2005 | 8,042,591 | 7,457,299 | 92.72% | 533,197 | 7,990,496 | 99.35% | 52,095 | 0.65% |

(1) Fiscal year tax is collected - 2005 represents July 1, 2004 levy.

Ratio of Total Tax Collections to Total Tax Levy
Last Ten Fiscal Years



City of Jackson, Michigan
Total Assessed/Taxable and Estimated Actual Value of Property (1)
Last Ten & Current Fiscal Years

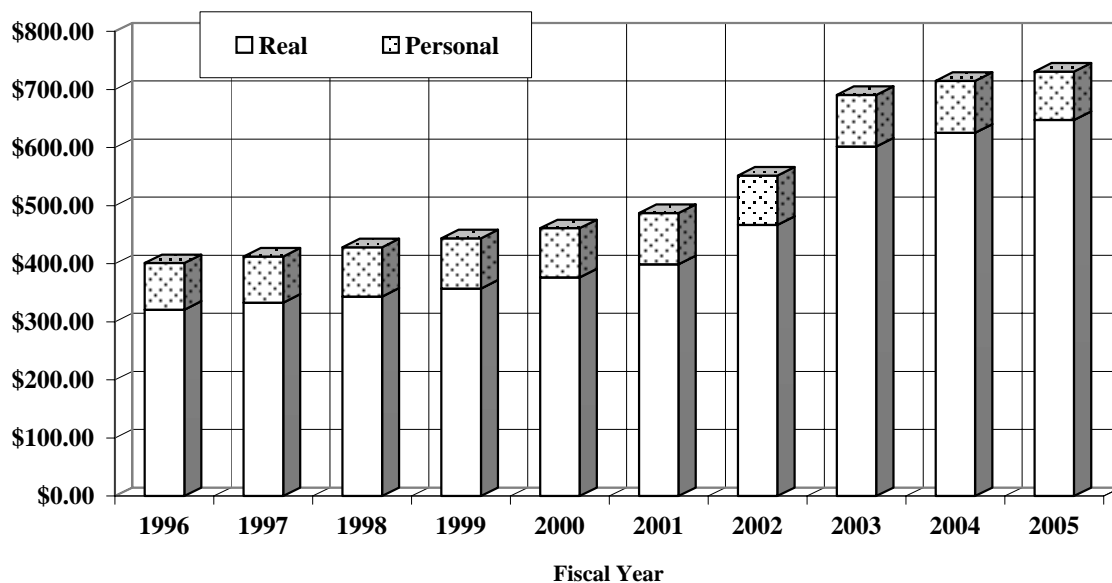
Table 4

| For Levy July 1 (2) | Real Property | | Personal Property | | Total | | Ratio of of Total Assessed/ Taxable to Total Estimated Actual Value | Percent Increase in Estimated Actual Value Over Prior Year |
|---------------------------|-------------------------------|------------------------------|-------------------------------|------------------------------|-------------------------------|------------------------------|---|--|
| | Assessed/ Taxable Value | Estimated Actual Value | Assessed/ Taxable Value | Estimated Actual Value | Assessed/ Taxable Value | Estimated Actual Value | | |
| 1996 | \$320,775,381 | \$701,239,060 | \$80,302,000 | \$160,604,000 | \$401,077,381 | \$861,843,060 | 46.54% | 6.43% |
| 1997 | 332,955,363 | 741,186,340 | 79,260,800 | 158,521,600 | 412,216,163 | 899,707,940 | 45.82% | 4.39% |
| 1998 | 343,766,378 | 790,256,400 | 84,753,350 | 169,506,600 | 428,519,728 | 959,763,000 | 44.65% | 6.67% |
| 1999 | 357,347,086 | 872,402,600 | 86,495,400 | 172,990,800 | 443,842,486 | 1,045,393,400 | 42.46% | 8.92% |
| 2000 | 376,378,616 | 958,921,100 | 84,795,600 | 169,591,200 | 461,174,216 | 1,128,512,300 | 40.87% | 7.95% |
| 2001 | 399,000,117 | 1,049,948,200 | 88,494,800 | 176,989,600 | 487,494,917 | 1,226,937,800 | 39.73% | 8.72% |
| 2002 | 466,897,355 | 1,228,464,200 | 84,886,500 | 169,773,000 | 551,783,855 | 1,398,237,200 | 39.46% | 13.96% |
| 2003 | 601,930,007 | 1,552,251,300 | 88,568,100 | 177,136,200 | 690,498,107 | 1,729,387,500 | 39.93% | 23.68% |
| 2004 | 625,718,543 | 1,601,121,700 | 88,893,584 | 177,797,200 | 714,612,127 | 1,778,918,900 | 40.17% | 27.23% |
| 2005 | 647,461,327 | 1,632,638,500 | 83,275,869 | 166,551,738 | 730,737,196 | 1,799,190,238 | 40.61% | 4.04% |

- (1) Ad Valorem assessments only; amounts do not include Act 189 or industrial and commercial facility tax assessments/taxable values. The term "taxable value" rather than "assessed value" is used in determining tax liability effective 7/1/94.
- (2) The July 1, 2004 levy is for fiscal year 2005. The July 1, 2005 levy is for the current fiscal year ending June 30, 2006.
- (3) Above Ad Valorem assessments include those properties located within Renaissance Zones and which are currently subject only to millage levied for bonded indebtedness.

Real and Personal Property - Assessed/Taxable Values
Last Ten & Current Fiscal Years

Millions



City of Jackson, Michigan
Property Tax Rates (1)
Direct and Overlapping Governments
Last Ten & Current Fiscal Years

Table 5

| Levied July 1 (2) | City of Jackson, Michigan | | | | | | County of Jackson, Michigan | | | |
|----------------------|---------------------------|----------------------------|--------------------------------------|----------------------|--------------------|--------------------------|-----------------------------|--------------|----------------------------|---------------------|
| | Operating Millage | Public Improve- ment | Parking Garage & Sewer Debt | City Hall Debt | Act 345 Pension | Total City Millage | Operating Millage | Jail Debt | Senior Services/ MCF | District Library |
| 1996 | 6.7900 | 1.9400 | 2.1770 | --- | 5.4330 | 16.3400 | 5.6198 | --- | 0.4723 | 0.9445 |
| 1997 | 6.7900 | 1.9400 | 2.1100 | --- | 5.4670 | 16.3070 | 5.6198 | --- | 0.1500 | 0.9445 |
| 1998 | 7.0000 | 2.0000 | --- | --- | 5.3000 | 14.3000 | 5.5626 | --- | 0.1485 | 0.9349 |
| 1999 | 6.9482 | 1.9852 | --- | --- | 4.5800 | 13.5134 | 5.4819 | --- | 0.1500 | 0.9208 |
| 2000 | 6.8620 | 1.9605 | --- | --- | 4.2000 | 13.0225 | 5.4194 | --- | 0.1482 | 0.9102 |
| 2001 | 6.8057 | 1.9444 | --- | --- | 3.8500 | 12.6001 | 5.3559 | --- | 0.1465 | 0.8995 |
| 2002 | 6.7192 | 1.9197 | --- | --- | 3.7000 | 12.3389 | 5.2734 | 0.5000 | 0.1442 | 0.8856 |
| 2003 | 6.7192 | 1.9197 | --- | --- | 4.1500 | 12.7889 | 5.2022 | 0.4932 | 0.1422 | 0.8736 |
| 2004 | 6.7192 | 1.9197 | --- | 0.7400 | 4.5000 | 13.8789 | 5.1709 | 0.4902 | 0.3913 | 0.8682 |
| 2005 | 6.7192 | 1.9197 | --- | 0.7500 | 4.1200 | 13.5089 | 5.1471 | 0.4879 | 0.3894 | 0.8642 |

| Levied July 1 (2) | Jackson Public Schools | | | Jackson Transit Authority | Jackson Intermediate School District | | Jackson Community College | | Totals | |
|----------------------|--------------------------|--------|--------------------|---------------------------------|--|-----------------------|---------------------------------|-----------------|----------------|--------------------|
| | Operating Millage (3) | S.E.T. | Debt / Rec. (4) | Operating Millage | Operating Millage | Special & Voc. Ed. | Operating Millage | Debt Service | Home- stead | Non Home- stead |
| 1996 | 18.0000 | 6.0000 | --- | 1.0000 | 0.3767 | 7.5508 | 1.2492 | 0.1100 | 39.6633 | 57.6633 |
| 1997 | 18.0000 | 6.0000 | --- | 1.0000 | 0.3747 | 8.5107 | 1.2490 | 0.1100 | 40.2657 | 58.2657 |
| 1998 | 18.0000 | 6.0000 | --- | 0.5000 | 0.3730 | 8.4715 | 1.2446 | 0.0500 | 37.5851 | 55.5851 |
| 1999 | 17.9298 | 6.0000 | 1.1300 | 0.9926 | 0.3677 | 8.3519 | 1.2266 | --- | 38.1349 | 56.0647 |
| 2000 | 17.8114 | 6.0000 | 1.9500 | 0.9802 | 0.3610 | 8.2014 | 1.2131 | --- | 38.2060 | 56.0174 |
| 2001 | 17.6047 | 6.0000 | 1.9500 | 0.9721 | 0.3580 | 8.1348 | 1.1980 | --- | 37.6149 | 55.2196 |
| 2002 | 17.8820 | 6.0000 | 1.9500 | 0.9597 | 0.3525 | 7.0693 | 1.1798 | --- | 36.6534 | 54.5354 |
| 2003 | 17.8820 | 5.0000 | 1.9500 | 0.9597 | 0.3477 | 7.8730 | 1.1638 | --- | 36.7943 | 54.6763 |
| 2004 | 17.8820 | 6.0000 | 2.4500 | 0.9597 | 0.3455 | 7.8249 | 1.1565 | --- | 39.5361 | 57.4181 |
| 2005 | 17.8820 | 6.0000 | 2.6000 | 0.9597 | 0.3439 | 7.7895 | 1.1511 | --- | 39.2417 | 57.1237 |

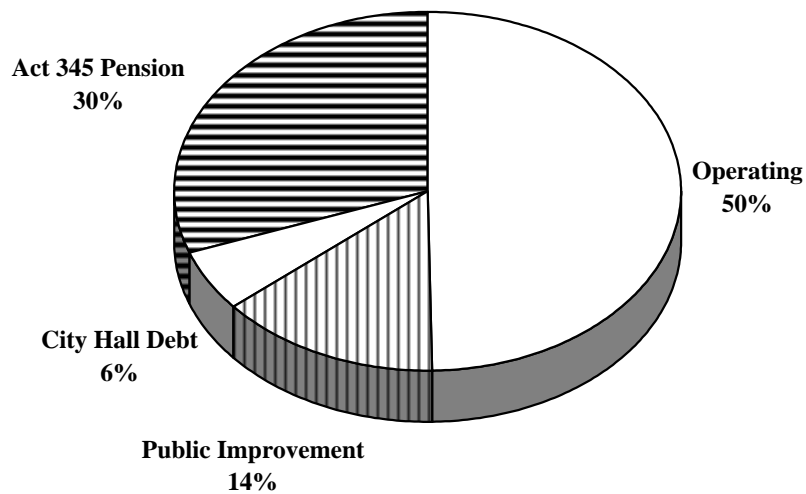
- (1) Does not include 2 mills for Downtown Development Authority which is levied on the Central Business District only.
- (2) The July 1, 2004 levy is for fiscal year 2005. The July 1, 2005 levy is for the current fiscal year ending June 30, 2006.
- (3) Passage of Proposal A in 1994 reduced operating millage for Jackson Public Schools to 18 mills for non-homestead properties with homestead properties exempt. Both homestead and non-homestead properties are subject to the State Education Tax (S.E.T.) of 6 mills as well as the debt service levy (reduced to 5 mills for 2003 only under PA 244 of 2002). Homestead is defined as a dwelling subject to ad valorem property taxes that is owned and occupied as a principal residence by the owner.
- (4) Recreation Millage (voted) effective 7/1/05 - .2000 mills for 10 years; Remaining millage shown is voted debt.

Note: Rates are per \$1,000 of assessed/taxable valuation.

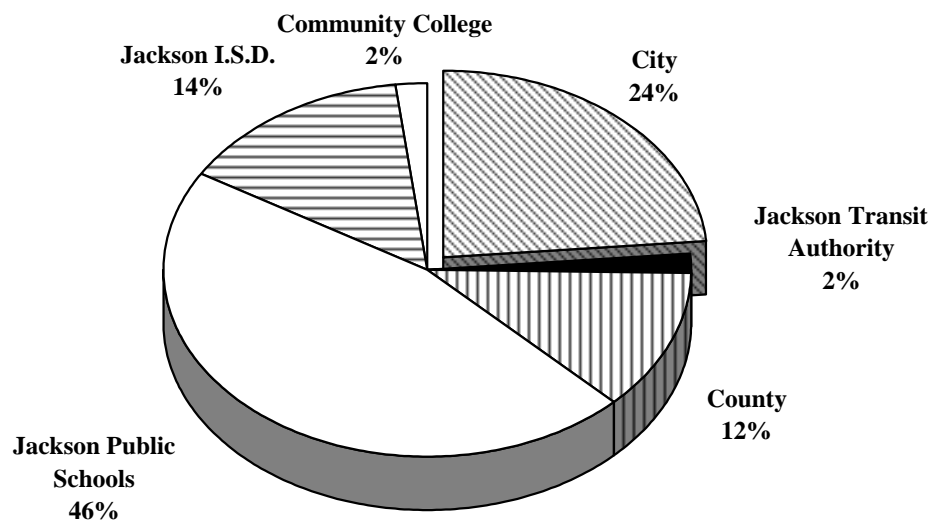
City of Jackson, Michigan
Property Tax Rates
Direct and Overlapping Governments
Levied July 1, 2005

Table 5a

City of Jackson (Direct) Tax Rates



Direct and Overlapping Governments (Non-Homestead)



City of Jackson, Michigan
Principal Taxpayers and Major Employers
June 30, 2005

Table 6

| Taxpayer | Type of Business | 2005 Taxable Valuation | Percentage of Total Taxable Valuation (1) |
|------------------------------|---|---------------------------------------|--|
| Consumers Energy | Electrical and Gas Utility | \$ 49,400,995 | 6.76% |
| Ramco (Jackson Crossing) | Property Rental/Management | 7,567,504 | 1.04% |
| Wolverine Technologies, Inc. | Plastic Extrusion (Home Siding, etc...) | 6,835,793 | 0.94% |
| Alro Steel | Industrial Steel Products & Supplies | 5,964,954 | 0.82% |
| Edscha Jackson Group | Automobile Component Sales | 5,803,684 | 0.79% |
| Home Depot | Retail Sales | 5,753,317 | 0.79% |
| Alpine Lake Apartments LLC | Property Rental/Management | 3,110,525 | 0.43% |
| Dayton Hudson (Target Store) | Retail Sales | 3,038,238 | 0.42% |
| GIP M/U/M LLC | Property Rental/Management | 2,825,950 | 0.39% |
| Eaton - Aeroquip Corporation | Aerospace, Industrial and Automobile | 2,757,315 | 0.38% |
| | | <u>\$ 93,058,275</u> | <u>12.76%</u> |

(1) Total Ad Valorem Taxable Valuation as of June 30, 2005 = \$ 730,737,196 (valuation for fiscal year 2006).

(2) Kinder Morgan Energy (KME), an electric power generation company, has the largest taxable value of \$ 113,687,500, or 15.56% of the 2005 ad valorem taxable value. KME is located in a Renaissance Zone and is not subject to millage levies with the exception of those levied for bonded indebtedness and those obligations pledging the unlimited taxing power of the local unit. The City anticipates the KME taxable value to be subject to all millage levies effective July 1, 2012.

| Employer | Type of Business | Approximate Number of Employees (3) |
|-----------------------------------|---|--|
| W. A. Foote Health System | Hospital | 3,000 |
| Consumers Energy | Electrical and Gas Utility | * 2,100 |
| City and County Government | Local Government | * 860 |
| Jackson Public Schools | Education | 800 |
| Eaton - Aeroquip Corporation | Aerospace, Industrial and Automobile | 597 |
| TRW, Inc. | Automobile Component Sales (Brakes) | * 368 |
| Wolverine Technologies, Inc. | Plastic Extrusion (Home Siding, etc...) | 312 |
| Great Lakes Home Health & Hospice | Home Health/Hospice | 310 |
| Alro Steel | Steel Service Center | 300 |
| Melling Automotive Products | Automobile Component Sales (Oil Pumps) | * 276 |

(3) As of June, 2005. Source: Enterprise Group

* Total employees located with the County

City of Jackson, Michigan
Special Assessment Billings and Collections
Last Ten Fiscal Years

Table 7

| <u>Fiscal Year</u> | <u>Billings</u> | <u>Collections</u> | <u>Transfers</u> | <u>(1) Receivable</u> |
|------------------------|-----------------|--------------------|------------------|---------------------------|
| 1996 | \$ 596,705 | \$ 518,089 | \$ - | \$ 1,984,947 |
| 1997 | 7,999 | 518,471 | - | 1,474,475 |
| 1998 | 287,704 | 435,692 | - | 1,326,487 |
| 1999 | 583,122 | 648,179 | - | 1,261,430 |
| 2000 | 125,219 | 467,692 | - | 918,957 |
| 2001 | 501,432 | 543,257 | - | 877,132 |
| 2002 | 458,359 | 526,075 | - | 809,416 |
| 2003 | 514,746 | 414,569 | - | 909,593 |
| 2004 | 389,265 | 530,195 | - | 768,663 |
| 2005 | 449,126 | 369,467 | - | 848,322 |

(1) Excludes Water Fund (enterprise fund) balances for delinquent water and sewer utility billings.

City of Jackson, Michigan
Schedule of Legal Debt Margin
June 30, 2005

Table 8

| | | |
|---|---------------------|-----------------------------|
| State Equalized Valuation at December 31, 2004 (for taxes levied by the City on July 1, 2005) | | <u>\$ 925,514,550</u> |
| Debt Limit (1) | | \$ 92,551,455 |
| Total debt: | | |
| Bonded debt | \$ 52,988,577 | |
| Other long-term debt | <u>2,682,000</u> | |
| | | 55,670,577 |
| Less Debt Excluded from Charter Limit: | | |
| Michigan Transportation Debt: | | |
| 1998 Michigan Transportation Fund Bonds | (355,000) | |
| 2003 Michigan Transportation Fund Bonds | (1,640,000) | |
| Michigan Economic Development Corporation: | | |
| Michigan Urban Land Assembly Loan | (772,000) | |
| Housing and Urban Development: | | |
| Section 108 Loan | (1,025,000) | |
| Revenue Bonds: | | |
| 1996 Sanitary Sewage Disposal System Revenue Bonds | (425,000) | |
| 2000 Sanitary Sewage Disposal System Revenue Bonds | (875,000) | |
| 1999 Water Revenue Bonds | <u>(2,660,000)</u> | |
| | | (7,752,000) |
| Less Amount in Debt Service Funds (Non Excluded Debt) | | <u>(37,445)</u> |
| | | <u>47,881,132</u> |
| Legal Debt Margin | | <u>\$ 44,670,323</u> |

(1) Ten percent (10%) of state equalized valuation.

City of Jackson, Michigan
Computation of Direct and Overlapping Bonded Debt
General Obligation Bonds
June 30, 2005

Table 9

| | <u>Gross</u> | <u>Self- Supporting</u> | <u>Net</u> |
|---|----------------------|-----------------------------|-----------------------------|
| City Direct Debt: | | | |
| Unlimited Tax General Obligation Debt: | | | |
| City Hall Bonds | \$ 9,990,000 | \$ 9,990,000 | \$ - |
| Limited Tax General Obligation Debt: | | | |
| Downtown Development Authority Bonds | 17,528,577 | 17,528,577 | - |
| Brownfield Redevelopment Authority Bonds | 18,500,000 | 18,500,000 | - |
| Building Authority Bonds | 1,015,000 | - | 1,015,000 |
| Michigan Transportation Fund Bonds | 1,995,000 | 1,995,000 | - |
| Installment Purchase Contracts | 885,000 | - | 885,000 |
| Revenue Bonds: | | | |
| Water Revenue Bonds | 2,660,000 | 2,660,000 | - |
| Sewer Revenue Bonds | 1,300,000 | 1,300,000 | - |
| Other: | | | |
| Michigan Urban Land Assembly Loan | 772,000 | 772,000 | - |
| Section 108 Loan (HUD) | 1,025,000 | 1,025,000 | - |
| | <u>\$ 55,670,577</u> | <u>\$ 53,770,577</u> | <u>\$ 1,900,000</u> |
| City Overlapping Debt: (1) | <u>Gross</u> | <u>City Share</u> | |
| Jackson School District | \$ 42,305,000 | 57.06% | \$ 24,139,233 |
| East Jackson School District | 7,225,000 | 0.13% | 9,393 |
| Northwest School District | 1,960,000 | 0.21% | 4,116 |
| Michigan Center School District | - | 2.49% | - |
| Total - School Districts | | | <u>24,152,742</u> |
| Jackson County at Large | 28,800,000 | 18.86% | 5,431,680 |
| Jackson Community College | 6,535,000 | 18.86% | 1,232,501 |
| Jackson County Intermediate School District | - | 18.56% | - |
| | | | <u>30,816,923</u> |
| Net City Direct & Overlapping Debt: | | | <u><u>\$ 32,716,923</u></u> |
| Per Capita Debt: (36,218 population): | | | |
| Net Direct Debt | | | \$ 52.46 |
| Net Overlapping Debt | | | 850.87 |
| Total Net Debt | | | <u><u>\$ 903.33</u></u> |
| Percent of Taxable Valuation: (\$ 730,737,196 Taxable Valuation at 6/30/05): | | | |
| Net Direct Debt | | | 0.26% |
| Net Overlapping Debt | | | 4.22% |
| Total Net Debt | | | <u><u>4.48%</u></u> |

(1) Source: Municipal Advisory Council of Michigan

City of Jackson, Michigan

Table 10

Ratio of Net General Obligation Bonded Debt To Assessed/Taxable Value and Net General Obligation Bonded Debt Per Capita Last Ten Fiscal Years

| Fiscal Year | Population | Assessed/ Taxable Value (1) | Gross Bonded Debt (2) | Less Debt Service Fund (3) | Net Bonded Debt | Ratio of Net Bonded Debt to Assessed/ Taxable Value | Net Bonded Debt per Capita |
|-------------|------------|-----------------------------------|--------------------------------|-------------------------------|-----------------------|--|----------------------------------|
| * 1996 | 37,425 | \$ 387,450,515 | \$ 450,000 | \$ 6,402 | \$ 443,598 | 0.11% | \$ 12 |
| * 1997 | 37,425 | 401,077,381 | 295,000 | 8,212 | 286,788 | 0.07% | 8 |
| * 1998 | 37,425 | 412,216,163 | 145,000 | 150,355 | (5,355) | 0.00% | - |
| * 1999 | 37,425 | 428,519,728 | - | - | - | 0.00% | - |
| * 2000 | 37,425 | 443,842,486 | - | - | - | 0.00% | - |
| 2001 | 36,218 | 461,174,216 | - | - | - | 0.00% | - |
| * 2002 | 36,218 | 487,494,917 | - | - | - | 0.00% | - |
| * 2003 | 36,218 | 551,783,855 | - | - | - | 0.00% | - |
| * 2004 | 36,218 | 690,498,107 | 10,000,000 | 102,809 | 9,897,191 | 1.43% | 273 |
| * 2005 | 36,218 | 714,612,127 | 9,990,000 | 18,509 | 9,971,491 | 1.40% | 275 |

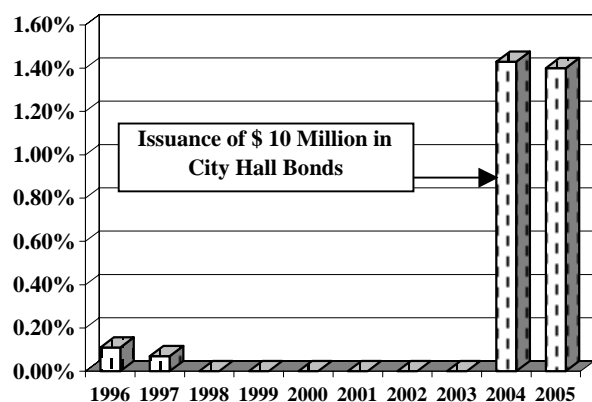
1) Fiscal year of assessed/taxable value - 2005 represents taxable value at July 1, 2004.

2) Amount includes only general obligation bonded debt supported through general property taxes.

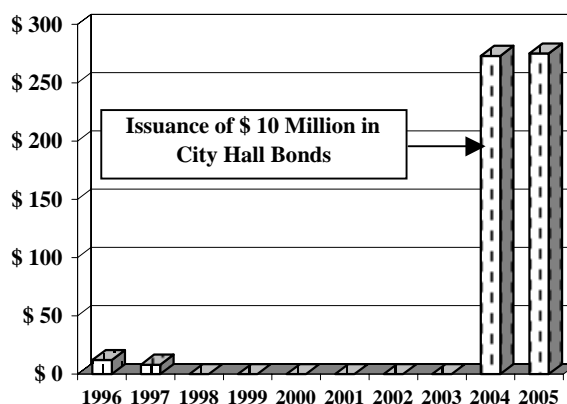
3) Amount available for repayment of Gross Bonded Debt (2) in debt service funds.

* Population for these years is not available; used earliest preceding year's actual.

**Net G. O. Bonded Debt
to Assessed/Taxable Value**



**Net Bonded Debt
Per Capita**



City of Jackson, Michigan
Ratio of Annual Debt Service Expenditures
For General Obligation Bonded Debt (1)
to Total Governmental Fund Expenditures
Last Ten Fiscal Years

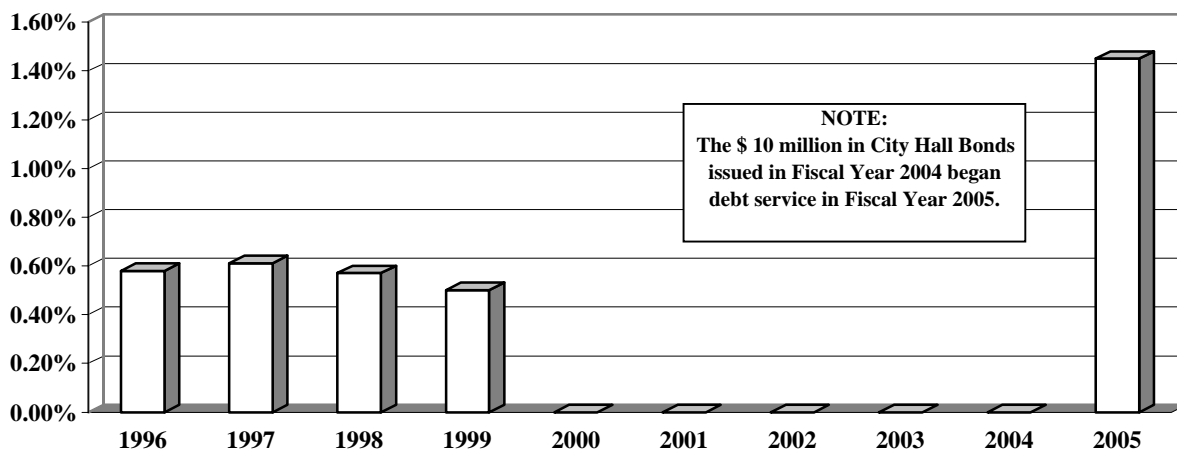
Table 11

| Fiscal Year | Principal | Interest, Fiscal Charges and Other | Total Debt Service | (2) Total Governmental Fund Expenditures | Ratio of Debt Service To Total Governmental Fund Expenditures |
|-------------|------------|--|--------------------------|--|---|
| 1996 | \$ 130,000 | \$ 36,420 | \$ 166,420 | \$ 28,823,893 | 0.58% |
| 1997 | 155,000 | 28,093 | 183,093 | 30,135,098 | 0.61% |
| 1998 | 150,000 | 18,564 | 168,564 | 29,354,994 | 0.57% |
| 1999 | 145,000 | 9,595 | 154,595 | 31,134,909 | 0.50% |
| 2000 | 0 | 0 | 0 | 31,271,783 | 0.00% |
| 2001 | 0 | 0 | 0 | 47,144,988 | 0.00% |
| 2002 | 0 | 0 | 0 | 31,541,163 | 0.00% |
| 2003 | 0 | 0 | 0 | 49,816,930 | 0.00% |
| 2004 | 0 | 0 | 0 | 36,625,780 | 0.00% |
| 2005 | 10,000 | 617,956 | 627,956 | 43,291,168 | 1.45% |

1) Includes only general obligation debt supported through general property taxes.

2) Includes general, special revenue, debt service and capital project funds.

Ratio of Debt Service
to Total Government Fund Expenditures
Last Ten Fiscal Years



City of Jackson, Michigan
Revenue Bond Coverage
Sewer Fund
Last Ten Fiscal Years

Table 12

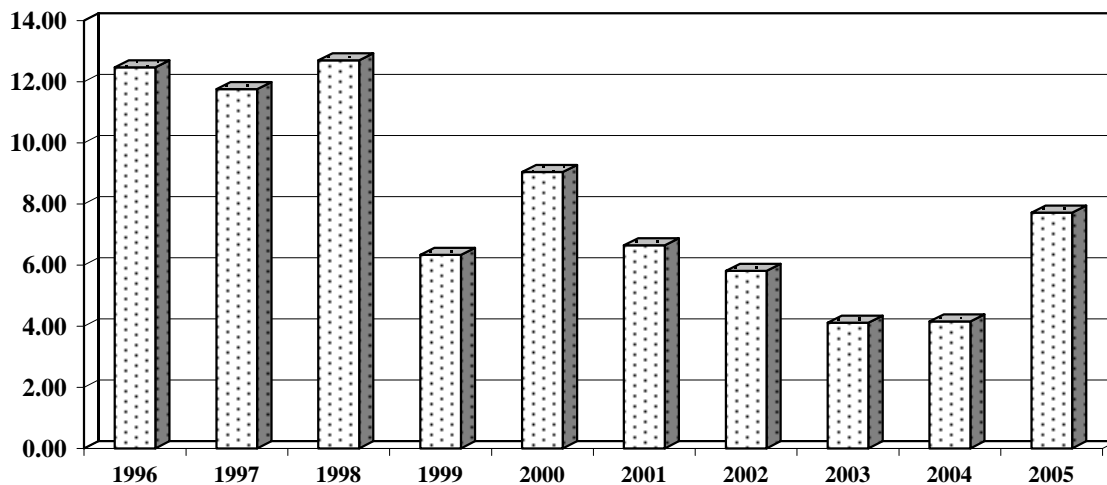
| Fiscal Year | Gross Revenues (1) | Operating Expenses (2) | Net Revenue Available for Debt Service | Debt Service Requirements (3) | | | Coverage |
|-------------|--------------------|------------------------|--|-------------------------------|-----------------------------|-----------|----------|
| | | | | Principal | Interest and Fiscal Charges | Total | |
| 1996 | \$ 3,671,548 | \$ 2,497,770 | \$ 1,173,778 | \$ 50,000 | \$ 44,100 | \$ 94,100 | 12.47 |
| 1997 | 4,257,543 | 2,597,810 | 1,659,733 | 75,000 | 66,245 | 141,245 | 11.75 |
| 1998 | 5,415,049 | 2,815,498 | 2,599,551 | 120,000 | 84,650 | 204,650 | 12.70 |
| 1999 | 4,460,571 | 3,012,590 | 1,447,981 | 150,000 | 78,625 | 228,625 | 6.33 |
| 2000 | 4,533,600 | 2,526,972 | 2,006,628 | 150,000 | 72,050 | 222,050 | 9.04 |
| 2001 | 4,737,832 | 2,814,061 | 1,923,771 | 200,000 | 89,853 | 289,853 | 6.64 |
| 2002 | 4,957,422 | 3,072,897 | 1,884,525 | 220,000 | 104,537 | 324,537 | 5.81 |
| 2003 | 4,799,168 | 3,389,795 | 1,409,373 | 250,000 | 93,256 | 343,256 | 4.11 |
| 2004 | 4,594,024 | 3,121,609 | 1,472,415 | 275,000 | 80,131 | 355,131 | 4.15 |
| 2005 | 5,037,590 | 3,344,441 | 1,693,149 | 150,000 | 69,500 | 219,500 | 7.71 |

(1) Total revenues including interest.

(2) Total operating expenses exclusive of depreciation.

(3) Includes principal, interest and fiscal charges of revenue bonds only. It does not include general obligation debt reported in debt service funds to which operating transfers are made or debt defeasance transactions.

Revenue Bond Coverage
Last Ten Fiscal Years



City of Jackson, Michigan
Revenue Bond Coverage
Water Fund
Last Ten Fiscal Years

Table 13

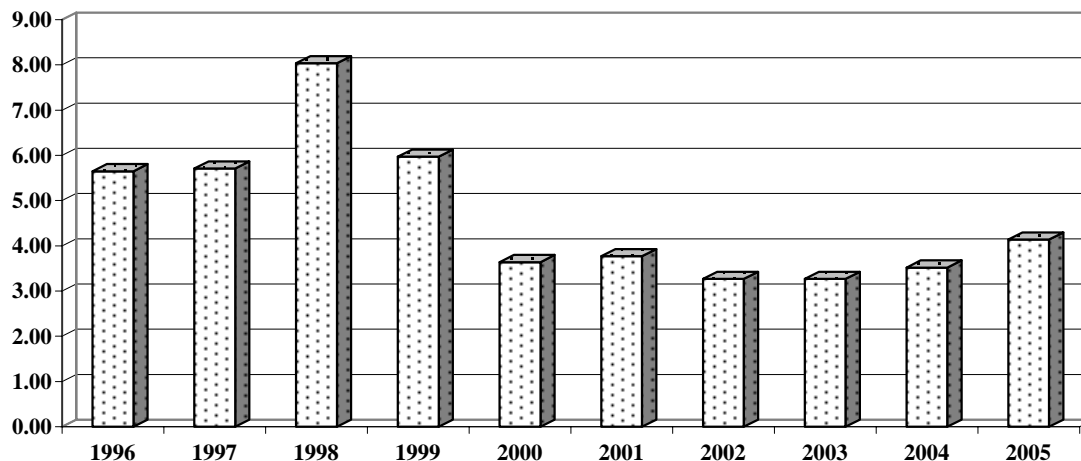
| Fiscal Year | Gross Revenues (1) | Operating Expenses (2) | Net Revenue Available for Debt Service | Debt Service Requirements (3) | | | Coverage |
|-------------|--------------------|------------------------|--|-------------------------------|-----------------------------|------------|----------|
| | | | | Principal | Interest and Fiscal Charges | Total | |
| 1996 | \$ 4,819,864 | \$ 3,236,361 | \$ 1,583,503 | \$ 150,000 | \$ 130,274 | \$ 280,274 | 5.65 |
| 1997 | 4,975,763 | 3,416,228 | 1,559,535 | 150,000 | 122,938 | 272,938 | 5.71 |
| 1998 | 5,784,694 | 3,694,653 | 2,090,041 | 150,000 | 110,062 | 260,062 | 8.04 |
| 1999 | 5,607,614 | 3,501,750 | 2,105,864 | 175,000 | 177,650 | 352,650 | 5.97 |
| 2000 | 5,965,031 | 3,950,553 | 2,014,478 | 325,000 | 228,789 | 553,789 | 3.64 |
| 2001 | 5,937,137 | 3,793,227 | 2,143,910 | 375,000 | 194,055 | 569,055 | 3.77 |
| 2002 | 5,998,507 | 4,196,649 | 1,801,858 | 370,000 | 180,392 | 550,392 | 3.27 |
| 2003 | 6,242,449 | 4,487,148 | 1,755,301 | 370,000 | 166,403 | 536,403 | 3.27 |
| 2004 | 6,230,681 | 4,288,334 | 1,942,347 | 400,000 | 152,343 | 552,343 | 3.52 |
| 2005 | 6,517,972 | 4,212,878 | 2,305,094 | 420,000 | 137,343 | 557,343 | 4.14 |

(1) Total revenues including interest.

(2) Total operating expenses exclusive of depreciation.

(3) Includes principal, interest and fiscal charges of revenue bonds only. It does not include general obligation debt reported in debt service funds to which operating transfers are made or debt defeasance transactions.

Revenue Bond Coverage
Last Ten Fiscal Years



City of Jackson, Michigan
Employment Statistics
Last Ten Fiscal Years

Table 14

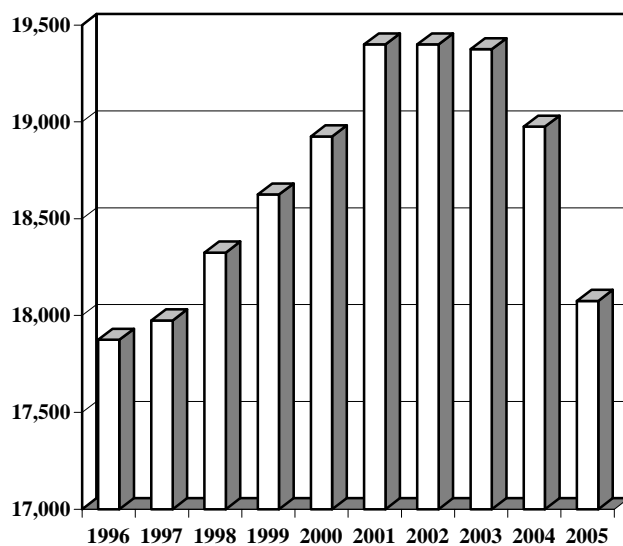
| Fiscal Year | (1) Population | (2) Labor Force | (2) Employment | (2) Unemployment | (2) Unemployment Rate |
|-------------|-------------------|--------------------|-------------------|---------------------|--------------------------|
| 1996 | 37,425 | 17,875 | 16,400 | 1,450 | 8.1 % |
| 1997 | 37,425 | 17,975 | 16,675 | 1,300 | 7.2 % |
| 1998 | 37,425 | 18,325 | 17,350 | 1,000 | 5.5 % |
| 1999 | 37,425 | 18,625 | 17,600 | 1,025 | 5.5 % |
| 2000 | 36,218 | 18,925 | 17,975 | 950 | 5.0 % |
| 2001 | 36,218 | 19,400 | 17,850 | 1,550 | 8.0 % |
| 2002 | 36,218 | 19,400 | 17,550 | 1,825 | 9.4 % |
| 2003 | 36,218 | 19,375 | 17,075 | 2,300 | 11.9 % |
| 2004 | 36,218 | 18,975 | 17,100 | 1,850 | 9.7 % |
| 2005 | 36,218 | 18,076 | 16,323 | 1,753 | 9.7 % |

All labor force statistics are as of June of the fiscal year shown, i.e. fiscal year 2005 represents June, 2005.

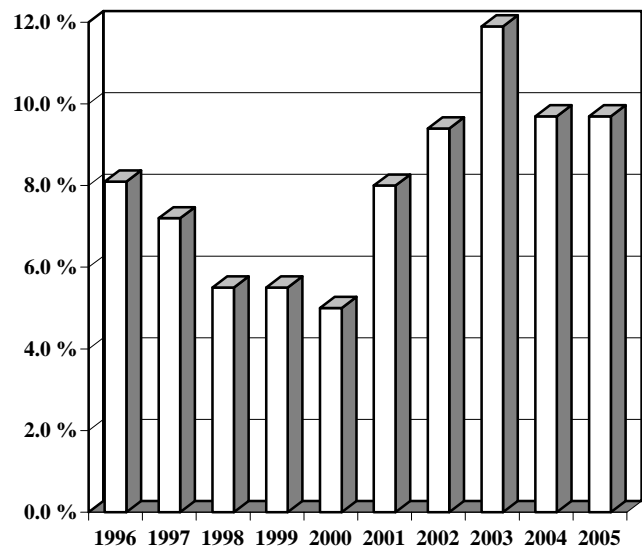
(1) Population shown is based on the most recent preceding year's actual.

(2) Source: Michigan Department of Labor and Economic Growth, Bureau of Labor Market Information & Strategic Initiatives

Labor Force



Unemployment Rate



City of Jackson, Michigan
Property Value, Construction and Bank Deposits
Last Ten Fiscal Years

Table 15

| Fiscal Year (1) | Real Property Value (2) | | | | (3) Commercial Construction Value | (3) Residential Construction Value | (4) FDIC Bank Deposits |
|--------------------|-------------------------|----------------|---------------|----------------|--|---|---------------------------------|
| | Commercial | Residential | Industrial | Total | | | |
| 1996 | \$ 171,132,260 | \$ 426,823,000 | \$ 57,669,700 | \$ 655,624,960 | \$ 12,877,014 | \$ 570,300 | \$ 958,161,000 |
| 1997 | 176,774,960 | 465,805,700 | 58,658,400 | 701,239,060 | 12,281,125 | 1,588,471 | 1,018,890,000 |
| 1998 | 194,377,600 | 486,555,200 | 60,253,540 | 741,186,340 | 12,958,775 | 1,152,400 | 1,020,375,000 |
| 1999 | 203,167,900 | 526,180,700 | 60,907,800 | 790,256,400 | 4,287,000 | 1,972,000 | 1,035,424,000 |
| 2000 | 225,127,400 | 581,086,600 | 66,188,600 | 872,402,600 | 9,132,550 | 2,267,000 | 1,068,981,000 |
| 2001 | 256,600,900 | 628,608,100 | 73,712,100 | 958,921,100 | 65,238,439 | 1,746,285 | 1,055,223,000 |
| 2002 | 315,855,800 | 654,605,400 | 79,487,000 | 1,049,948,200 | 32,143,450 | 2,597,525 | 1,733,598,000 |
| 2003 | 343,127,500 | 717,994,200 | 167,342,500 | 1,228,464,200 | 10,580,129 | 4,088,552 | 1,132,821,000 |
| 2004 | 431,047,200 | 779,403,700 | 341,800,400 | 1,552,251,300 | 15,706,115 | 5,568,794 | 1,170,158,000 |
| 2005 | 439,568,300 | 821,731,700 | 339,821,700 | 1,601,121,700 | 32,188,170 | 4,740,371 | 1,228,432,000 |

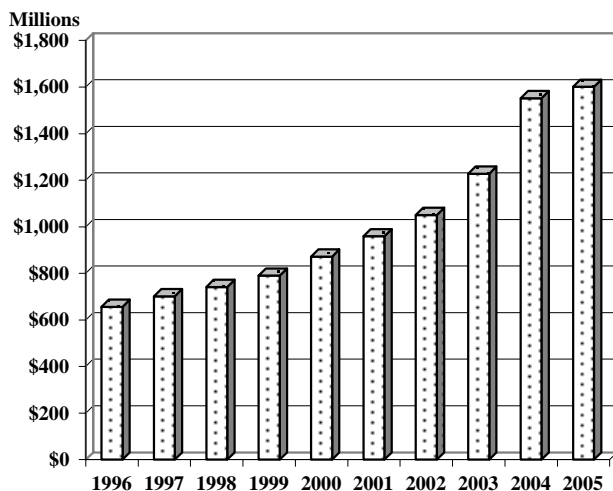
(1) Fiscal year of levy; 2005 represents July 1, 2004 levy; 2004 represents July 1, 2003 levy.

(2) From City Assessor - Industrial included in order to reflect total, which is estimated actual value from Table 4.

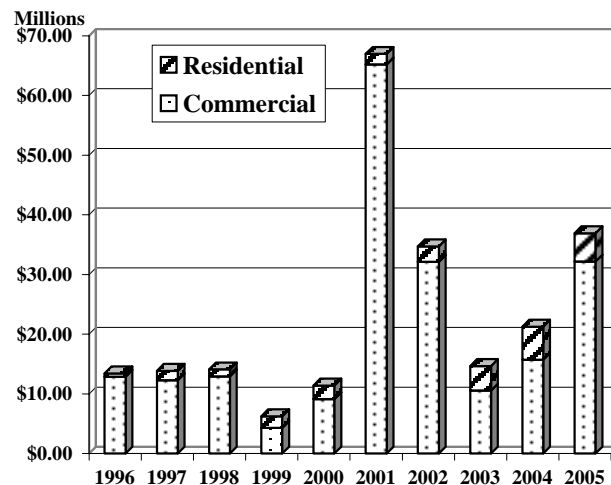
(3) From City Building Inspection Department records.

(4) Source - FDIC Institution Office Deposits. All data shown is as of June 30th that year. Amounts are FDIC deposits only (excludes credit unions, etc...).

**Real Property Values
Last Ten & Current Fiscal Years**



**Commercial & Residential
Construction Values
Last Ten Fiscal Years**



City of Jackson, Michigan
Miscellaneous Statistics
June 30, 2005

Table 16

| | |
|---|-------------------|
| Date Founded | 1829 |
| Date of Incorporation | 1857 |
| Form of Government | Council / Manager |
| Number of employees (except police and fire) | 175 |
| Area in square miles | 11 |
| City of Jackson facilities and services: | |
| Miles of streets | 165 |
| Number of street lights | 2,365 |
| Number of traffic signals | 82 |
| Culture and Recreation: | |
| Community centers | 2 |
| Parks | 23 |
| Park acreage | 636 |
| Inline Skate Rink / Skate Park | 1 of each |
| Golf courses (full size and mini-golf) | 1 of each |
| Swimming pools | 2 |
| Tennis courts | 14 |
| Fire Protection: | |
| Number of stations | 3 |
| Number of fire personnel and officers | 45 |
| Number of calls answered | 4,072 |
| Number of inspections conducted | 594 |
| Police Protection: | |
| Number of stations | 1 |
| Number of police personnel and officers | 91 |
| Number of patrol units | 41 |
| Number of law violations: | |
| Physical arrests | 3,628 |
| Traffic violations | 14,165 |
| Parking violations | 4,741 |
| Sewer System: | |
| Miles of sanitary sewers | 160 |
| Miles of storm sewers | 108 |
| Number of treatment plants | 1 |
| Number of service connections | 12,802 |
| Daily average treatment in gallons | 13.2 million |
| Maximum daily capacity of treatment plant in gallons | 19 million |
| Townships Services via Bulk Metering | 5 |
| Water System: | |
| Miles of water mains | 232 |
| Number of service connections | 15,327 |
| Number of fire hydrants | 2,030 |
| Daily average consumption in gallons | 5.41 million |
| Maximum daily capacity of plant in gallons | 24 million |
| Facilities and services not included in the reporting entity: | |
| Education: | |
| Number of elementary schools | 10 |
| Number of elementary school instructors | 148 |
| Number of secondary schools | 4 |
| Number of secondary school instructors | 302 |
| Number of community colleges | 1 |
| Hospitals: | |
| Number of hospitals | 1 |
| Number of patient beds | 411 |

City of Jackson, Michigan
State Equalized Valuation/Taxable Valuation
Fiscal Years Ended June 30, 2002 Through 2006

Table 17

| Assessed Value as of December 31 | Year of State Equalization and Tax Levy | Fiscal Year Ended June 30 | State Equalized Valuation (1) | Ad Valorem Taxable Value | Total Taxable Valuation (1) |
|--|---|---------------------------------|-------------------------------------|--------------------------------|-----------------------------------|
| 2000 | 2001 | 2002 | \$ 629,161,951 | \$ 487,494,917 | \$ 503,187,968 |
| 2001 | 2002 | 2003 | 715,901,025 | 551,783,855 | 568,566,280 |
| 2002 | 2003 | 2004 | 880,648,825 | 690,498,107 | 706,453,182 |
| 2003 | 2004 | 2005 | 903,223,700 | 714,612,127 | 728,145,677 |
| 2004 | 2005 | 2006 | 925,514,550 | 730,737,196 | 756,918,096 |

Per Capita 2005 Ad Valorem Taxable Valuation is \$ 20,176 and Per Capita 2005 Total Taxable Valuation is \$ 20,899 based on the City's 2000 Census of 36,218.

(1) Includes Tax Abatements under Act 198 and Renaissance Zones.

Breakdown of Taxable Value by Use and Class

| | Year of State Equalization and Tax Levy | | | | |
|---------------|---|---------|---------|---------|---------|
| | 2001 | 2002 | 2003 | 2004 | 2005 |
| Use: | | | | | |
| Commercial | 27.81% | 26.67% | 27.30% | 27.18% | 27.43% |
| Industrial | 21.85% | 25.74% | 31.50% | 30.72% | 29.10% |
| Residential | 50.34% | 47.59% | 41.20% | 42.10% | 43.47% |
| | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| Class: | | | | | |
| Real | 79.29% | 82.33% | 87.20% | 87.56% | 88.60% |
| Personal | 20.71% | 17.67% | 12.80% | 12.44% | 11.40% |
| | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

City of Jackson, Michigan
Water Supply System
Supplemental Disclosure Information
Last Five Fiscal Years

Table 18

| | Fiscal Year Ended June 30 | | | | |
|---|---------------------------|--------------|--------------|--------------|--------------|
| | 2001 | 2002 | 2003 | 2004 | 2005 |
| <u>Water Pumped vs. Water Sold: (in million gallons)</u> | | | | | |
| Pumped | 2,519.4 | 2,380.2 | 2,521.7 | 2,389.0 | 2,324.3 |
| Sold | 2,091.1 | 2,045.9 | 2,203.7 | 2,018.2 | 1,973.6 |
| Sold as a % of Pumped | 83.00% | 85.95% | 87.39% | 84.48% | 84.91% |
| <u>Number of Customers:</u> | | | | | |
| Residential | 12,343 | 12,502 | 12,573 | 12,545 | 12,521 |
| Commercial | 1,762 | 1,766 | 1,771 | 1,814 | 1,814 |
| Industrial | 205 | 183 | 202 | 191 | 189 |
| Total | 14,310 | 14,451 | 14,546 | 14,550 | 14,524 |
| <u>Percent of Water Consumption by Category:</u> | | | | | |
| Residential | 34.89% | 39.14% | 37.23% | 39.76% | 36.66% |
| Commercial | 36.94% | 39.46% | 38.15% | 40.54% | 42.33% |
| Industrial | 28.17% | 21.40% | 24.62% | 19.70% | 21.01% |
| Total | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| <u>History of Water Rates</u> | | | | | |
| <i>(average consumption - 22 HCF / average 5/8 inch meter)</i> | | | | | |
| Metered per quarter | \$ 51.77 | \$ 53.32 | \$ 54.90 | \$ 56.37 | \$ 57.85 |
| % Change (in average consumption) | 2.92% | 2.99% | 2.96% | 2.68% | 2.63% |
| <u>Water Supply System Annual Revenues:</u> | | | | | |
| Metered revenue | \$ 5,354,301 | \$ 5,494,186 | \$ 5,806,234 | \$ 5,900,474 | \$ 6,018,706 |
| % Increase (Decrease) | 0.52% | 2.61% | 5.68% | 1.62% | 2.00% |
| <u>Water Supply System Revenues By User Class:</u> | | | | | |
| Residential | \$ 2,564,584 | \$ 2,752,020 | \$ 2,813,808 | \$ 2,993,171 | \$ 2,967,222 |
| Commercial | 1,979,516 | 2,078,886 | 2,202,976 | 2,224,591 | 2,365,953 |
| Industrial | 810,201 | 674,502 | 789,450 | 682,712 | 685,531 |
| Sewer - Billing & Collection Charges | 167,653 | 167,709 | 180,828 | 197,516 | 196,936 |
| Total | \$ 5,521,954 | \$ 5,673,117 | \$ 5,987,062 | \$ 6,097,990 | \$ 6,215,642 |
| <u>Water Supply Revenues By User Class as a % of Total Revenues:</u> | | | | | |
| Residential | 46.44% | 48.51% | 47.00% | 49.08% | 47.74% |
| Commercial | 35.85% | 36.64% | 36.80% | 36.48% | 38.06% |
| Industrial | 14.67% | 11.89% | 13.19% | 11.20% | 11.03% |
| Sewer - Billing & Collection Charges | 3.04% | 2.96% | 3.01% | 3.24% | 3.17% |
| Total | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

City of Jackson, Michigan
Water Supply System
Supplemental Disclosure Information
Ten Largest Water Customers - By Usage
For the Fiscal Year Ended June 30, 2005

Table 18a

| Customer | (1) Usage | (2) % of Total | Revenue | (3) % of Total |
|------------------------------|----------------------|-------------------------------|----------------|-------------------------------|
| Wolverine Technologies | 81,980 | 3.11% | \$ 81,340 | 1.31% |
| Foote Hospital, Inc. | 77,361 | 2.93% | 73,408 | 1.18% |
| Commonwealth Commerce Center | 64,906 | 2.46% | 66,192 | 1.06% |
| ** Eaton Aeroquip Corp. | 57,072 | 2.16% | 64,850 | 1.04% |
| Kinder Morgan Energy | 48,100 | 1.82% | 68,529 | 1.10% |
| Industrial Steel Treating | 47,155 | 1.79% | 49,226 | 0.79% |
| Elm Plating | 45,622 | 1.73% | 51,953 | 0.84% |
| * Kaneka Texas Corp. | 45,300 | 1.72% | 51,424 | 0.83% |
| ** Consumers Energy | 32,419 | 1.23% | 50,978 | 0.82% |
| Jackson Tumble Finish | 27,260 | 1.03% | 27,936 | 0.45% |

(1) Unit = Hundred Cubic Feet (HCF)

(2) Based on June 30, 2005 total water consumption of 2,638,504 HCF.

(3) Based on June 30, 2005 Water Supply System Revenues By User Class (Table 18) of \$ 6,215,642

* Located outside of City limits.

** Located both inside and outside of City limits

City of Jackson, Michigan
Supplemental Disclosure Information
Industrial Facilities Tax Roll

Table 19

| Year of Transfer To Ad Valorem Tax Roll | (1) I.F.T. S.E.V. Amount |
|--|---|
| 2006 | \$ 381,400 |
| 2007 | 1,152,650 |
| 2008 | 3,236,300 |
| 2009 | 1,378,450 |
| 2010 | 5,132,000 |
| 2011 | 1,269,550 |
| 2012 | 3,183,750 |
| 2013 | 3,459,300 |
| 2014 | 2,058,400 |
| 2015 | 124,400 |
| 2016 | 1,304,500 |
| 2017 | 3,500,200 |
| | <u>\$26,180,900</u> |

(1) Represents current assessed value of abated property at time of assessment. Personal property will be subject to depreciation in future years.

City of Jackson, Michigan
Supplemental Disclosure Information
Tax Increment Revenues, Debt Service and Debt Service Coverage

Table 20

Downtown Development Authority Bonds

| Fiscal Year | Tax Increment Revenues | Debt Service | (1) Capitalized Interest | (2) DDA Budgetary Commitments | Excess Tax Increment Revenues | Debt Service Coverage |
|--------------------|-------------------------------|---------------------|-------------------------------------|--|--------------------------------------|------------------------------|
| 2002 | \$ 139,394 | \$ 562,866 | \$ 562,866 | \$ 26,922 | \$ 112,472 | - |
| 2003 | 250,603 | 477,905 | 477,905 | 27,595 | 223,008 | - |
| 2004 | 847,306 | 672,905 | - | 28,285 | 146,116 | 1.26 |
| 2005 | 869,006 | 746,790 | - | 28,992 | 93,224 | 1.16 |

(1) Capitalized interest was used to pay debt service in both fiscal year 2002 and 2003.

(2) DDA budgetary commitments were existing prior to the sale of the Bonds and are subordinate to the Bonds.

Brownfield Redevelopment Authority Bonds

| Fiscal Year | Tax Increment Revenues (2) | Debt Service | (3) Capitalized Interest | Excess Tax Increment Revenues | Debt Service Coverage |
|--------------------|-----------------------------------|---------------------|-------------------------------------|--------------------------------------|------------------------------|
| 2002 | \$ - | \$ - | \$ - | \$ - | - |
| 2003 | 119,689 | 1,087,889 | 1,087,889 | 119,689 | - |
| 2004 | 845,825 | 955,220 | 955,220 | 845,825 | - |
| 2005 | 1,063,299 | 955,721 | 79,602 | 107,578 | - |

(1) The Bonds were sold in March, 2002; there was no debt service in fiscal year 2002.

(2) Includes only those amounts captured for the Bonds.

(3) Capitalized interest was used to pay debt service in fiscal years 2003, 2004 and 2005 (partial).

City of Jackson, Michigan
Supplemental Disclosure Information
Gas & Weight Tax Revenues, Maximum Annual Debt Service and
Historical Debt Service Coverage

Table 21

| Fiscal Year | Gas & Weight Tax Revenues | (1) Maximum Annual Debt Service | Historical Debt Service Coverage |
|------------------------|--|--|---|
| 1998 | \$ 2,300,293 | \$ 350,721 | 6.56 |
| 1999 | 2,409,138 | 350,721 | 6.87 |
| 2000 | 2,527,133 | 350,721 | 7.21 |
| 2001 | 2,515,255 | 350,721 | 7.17 |
| 2002 | 2,494,306 | 350,721 | 7.11 |
| 2003 | 2,509,073 | 350,721 | 7.15 |
| 2004 | 2,561,830 | 350,721 | 7.30 |
| 2005 | 2,604,990 | 284,480 | 9.16 |

(1) Includes maximum debt service on all debt payable from Major and Local Street Funds.

INFORMATION ON SINGLE AUDIT

(Compliance Section)

City of Jackson, Michigan
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005

| Federal Grantor/ Pass-Through Grantor/ Program Title | Grant/ Agreement/ Account Number | Federal CFDA Number | Accrued (Deferred) Revenue July 1, 2004 | Current Year Expenditures | Current Year Receipts (Cash Basis) | Accrued (Deferred) Revenue June 30, 2005 |
|--|---|------------------------------------|--|--------------------------------------|---|---|
| U.S. DEPARTMENT OF TRANSPORTATION: | | | | | | |
| Passed-Through Region 2 Planning Consortium | | | | | | |
| Jackson County Cooperative Alcohol Enforcement | | 20.601 | \$ 3,481 | \$ 4,912 | \$ 5,893 | \$ 2,500 |
| Jackson County Seat Belt Enforcement | | 20.602 | - | 1,604 | 1,604 | - |
| Total U.S. Department of Transportation | | | 3,481 | 6,516 | 7,497 | 2,500 |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES: | | | | | | |
| Passed-Through Michigan Department of Career Development and Hillsdale, Michigan Intermediate School District: | | | | | | |
| Temporary Assistance for Needy Families-Work First grant | | 93.558 | 1,287 | - | 1,287 | - |
| Total Department Health and Human Services | | | 1,287 | - | 1,287 | - |
| DEPARTMENT OF JUSTICE: | | | | | | |
| Direct Program: | | | | | | |
| Local Law Enforcement Block Grant | | 16.592 | (63,030) | 63,030 | 33,079 | (33,079) |
| Bulletproof Vest Partnership | | 16.607 | 10,933 | 1,712 | 12,645 | - |
| Passed-Through Michigan Family Independence Agency: | | | | | | |
| Administered by United Way of Jackson County: | | | | | | |
| Juvenile Justice and Delinquency Prevention | | 16.540 | - | 46,966 | 46,966 | - |
| Passed-Through Michigan Community Health Department: | | | | | | |
| Byrne Formula grant-Crime Prevention Strategy Partnership Park | | 16.579 | - | 11,699 | 8,549 | 3,150 |
| Byrne Formula grant-LAWNET Enhancement Project | | 16.580 | 10,976 | 55,404 | 57,873 | 8,507 |
| Total Department of Justice | | | (41,121) | 178,811 | 159,112 | (21,422) |

City of Jackson, Michigan
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005

| Federal Grantor/ Pass-Through Grantor/ Program Title | Grant/ Agreement/ Account Number | Federal CFDA Number | Accrued (Deferred) Revenue July 1, 2004 | Current Year Expenditures | Current Year Receipts (Cash Basis) | Accrued (Deferred) Revenue June 30, 2005 |
|---|---|------------------------------------|--|--------------------------------------|---|---|
| ENVIROMENTAL PROTECTION AGENCY: | | | | | | |
| Direct Program: | | | | | | |
| Brownfield Assessment | | 66.818 | \$ - | \$ 4,423 | \$ - | \$ 4,423 |
| Total Enviromental Protection Agency | | | - | 4,423 | - | 4,423 |
| U.S. DEPARTMENT OF HUD: | | | | | | |
| Direct Programs: | | | | | | |
| Major: | | | | | | |
| Community Development Block Grant-Entitlement | B01MC260021 | 14.218 | - | 14,053 | 14,053 | - |
| Community Development Block Grant-Entitlement | B02MC260021 | 14.218 | 153,397 | 60,739 | 214,136 | - |
| Community Development Block Grant-Entitlement | B03MC260021 | 14.218 | - | 1,152,502 | 1,152,502 | - |
| Community Development Block Grant-Entitlement | B04MC260021 | 14.218 | - | 132,256 | 223,801 | (91,545) |
| HOME | M03MC260214 | 14.239 | (32,145) | 32,145 | - | - |
| HOME | M04MC260214 | 14.239 | - | 319,697 | 380,274 | (60,577) |
| Total U.S. Department of HUD | | | 121,252 | 1,711,392 | 1,984,766 | (152,122) |
| TOTAL FEDERAL ASSISTANCE- 7/1/2004-6/30/2005 | | | \$ 84,899 | \$ 1,901,142 | \$ 2,152,662 | \$ (166,621) |

Reconciliation to Financial Statements:

| | |
|---|---------------------|
| Current year expenditures-SEFA, per above | \$ 1,901,142 |
| Federal Highway Funds Administered by Michigan Department of Transportation | 2,624,702 |
| Federal Revenue per Financial Statements | \$ 4,525,844 |

City of Jackson, Michigan

Note to Schedule Of Expenditures of Federal Awards

For the Year Ended June 30, 2005

Note 1 Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Jackson, Michigan, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 Outstanding loans

The City has a HUD Section 108 loan with an outstanding balance of \$1,025,000 at June 30, 2005.

Note 3 Subrecipients

The City passed through approximately \$236,000 in federal funds to subrecipient agencies.



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

October 31, 2005

Honorable Mayor and
Members of the City Council
City of Jackson, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the of the **CITY OF JACKSON**, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 31, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Jackson' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and other Matters

As part of obtaining reasonable assurance about whether the City of Jackson's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, the City Council, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

October 31, 2005

Honorable Mayor and
Members of the City Council
City of Jackson, Michigan

Compliance

We have audited the compliance of the **CITY OF JACKSON** with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The City of Jackson's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Jackson's management. Our responsibility is to express an opinion on the City of Jackson's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Jackson's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Jackson's compliance with those requirements.

As described in item 2005-1 in the accompanying schedule of findings and questioned costs, the City of Jackson did not comply with requirements regarding reporting that are applicable to its Community Development Block Grant Entitlement Program. Compliance with such requirements is necessary, in our opinion, for the City of Jackson to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the City of Jackson is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Jackson' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable conditions is described in the accompanying schedule of findings and questioned costs as item 2005-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. Of the matter referred to above, we did not consider finding 2005-1 to be a material weakness.

This report is intended solely for the information and use of the audit committee, management, the City Council, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

City of Jackson
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Reportable condition(s) identified
not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements
noted? _____ yes X no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? _____ yes X no

Reportable condition(s) identified
not considered to be material weaknesses? X yes _____ none reported

Type of auditors' report issued on compliance
for major programs: Qualified

Any audit findings disclosed that are required
to be reported in accordance with
Circular A-133, Section 510(a)? X yes _____ no

City of Jackson

Schedule of Findings and Questioned Costs (Concluded)

For the Year Ended June 30, 2005

SECTION I - SUMMARY OF AUDITORS' RESULTS (Concluded)

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|--|
| 14.218 14.239 | Community Development Block Grant Home Investment Partnership Program |

Dollar threshold used to distinguish
between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X yes no

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2005-1 Community Development Block Grant (CDBG) – Accounting and Reporting

In connection with our testing of the CDBG program, we examined the financial status reports filed throughout the year and attempted to reconcile them with the City's internal financial accounting system. The Community Development Department on its CDBG Financial Summary for Program year 2004 (Period 7-1-04 to 6-30-05) reported a cumulative unexpended balance for all grant entitlement years of \$2,891,748. The Department is unable to reconcile this amount with underlying detail records, and the amount differs by approximately \$908,000 from the City Finance Department system records. Thus, the Community Development Department has no mechanism in place to reconcile certain amounts in its financial status reports to the financial accounting system.

The Community Development Department should reconcile all amounts on its financial status report filings with the City's internal accounting system maintained by the Finance Department. Also, the unexpended balance difference as noted above should be reconciled and adjustments made, accordingly.

Management's response:

The Community Development Department will implement procedures to provide a system for ensuring that all amounts reported on financial status reports agree to underlying financial accounting system records.

SECTION IV – PRIOR YEAR FINDINGS

No matters were reported.

* * * * *



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



October 31, 2005

Honorable Mayor and Members
of the City Council
City of Jackson, Michigan

We have audited the financial statements of the **CITY OF JACKSON** for the year ended June 30, 2005, and have issued our report thereon dated October 31, 2005. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter dated May 5, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered the City of Jackson's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the City of Jackson's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the City of Jackson's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the City of Jackson's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the City of Jackson's compliance with those requirements.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by The City of Jackson are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the City of Jackson during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the general purpose financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the general purpose financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most significant estimates affecting the financial statements were:

- Management's estimate of the original cost and accumulated depreciation of its infrastructure capital assets is based on current replacement costs, and an assumed rate of inflation from the dates of original acquisition/construction. We evaluated the key factors assumptions used to develop the original cost and accumulated depreciation of the City's infrastructure capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the useful lives of non-infrastructure capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the "Incurred But Not Reported" liability in the Workers Compensation Self Insurance Internal Service Fund is based on a history of claims experience, a method which has been consistently applied.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the City of Jackson that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We proposed no audit adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on the City of Jackson.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the general purpose financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Jackson's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.

This letter and the accompanying memorandum are intended for the use of the City Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

CITY OF JACKSON, MICHIGAN

Accounting Memorandum

For the Year Ended June 30, 2005

During our audit, we became aware of certain issues regarding financial reporting. This memorandum summarizes our comments and suggestions regarding these matters. A separate report dated October 31, 2005 contains our report on the City's basic financial statements. This memorandum does not affect our report dated October 31, 2005, on the basic financial statements of the City of Jackson, Michigan.

We have already discussed these matters with the City's management and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist the City in implementing the recommendation.

A. COMMUNITY DEVELOPMENT AVAILABLE FUNDS/PURCHASING PROCEDURES

In connection with our testing of the CDBG program, we examined the financial status reports filed throughout the year and attempted to reconcile them with the City's internal financial accounting system. The Community Development Department on its CDBG Financial Summary on the IDIS system as of June 30, 2005 reported a cumulative unexpended balance for all grant entitlement years of \$2,891,748. The Department is unable to reconcile this amount with underlying detail records, and the amount differs by approximately \$908,000 from the City Finance Department system records. Thus, the Community Development Department has no mechanism in place to reconcile certain amounts in its financial status reports to the financial accounting system.

The Community Development Department should reconcile all amounts on its financial status report filings with the City's internal accounting system maintained by the Finance Department. Also, the unexpended balance difference as noted above should be reconciled and adjustments made, accordingly.

Additionally, the unexpended balance of Community Development Block Grant entitlement years funds is as follows:

| | |
|-------------------|----------------------------|
| Year 27 (6/30/02) | \$ 40,462 |
| Year 28 (6/30/03) | 113,853 |
| Year 29 (6/30/04) | 439,674 |
| Year 30 (6/30/05) | <u>1,389,661</u> |
| Total | <u>\$ 1,983,650</u> |

Similar to other cities, unexpended balances result from delays in projects starting and from other circumstances. For example, there is an unexpended balance in Rehabilitation – Arts Space of \$50,000 because that project has not started. However, there are higher than usual balances in certain budget areas, including \$371,181 unexpended in Year 30 for Code Enforcement, and \$105,331 and \$353,790, respectively, in years 29 and 30 for Administration. Also, years 29 and 30 have unexpended balances of \$361,417 and \$200,000, respectively for Rehabilitation- Housing Initiative included in the unexpended balances above.

CITY OF JACKSON, MICHIGAN

Accounting Memorandum (Continued)

For the Year Ended June 30, 2005

Also, the City received a letter dated December 13, 2004 from the U.S Housing and Urban Development relating unspent funding in its most recent Annual Performance and Evaluation Report of the City CDBG program. In that report, the Agency noted that the City had unspent at April 30, 2004 CDBG funds equal to 1.49 years of funding. HUD requires cities to have no more than 1.5 years of unspent funding.

We recommend that the Community Development Department develop an internal reporting and monitoring system where the status of these unspent funds is communicated to management and the City Council on a monthly basis. This will allow for proper oversight of the funding through questioning of the project delays, and a more timely determination for possible reallocation of funds to other projects.

Additionally, the current City Purchasing Policy requires that contracts for purchases of \$20,000 or more requires obtaining sealed bids. We noted that the Community Development Department has not been following this procedure for contracts entered into in connection with the Housing Initiative Fund, which is used to record the acquisition of tax reverted properties and other land within the City for renovation and development and subsequent sale.

B. CASH RECEIPTS PROCEDURES –GOLF COURSES

At the Ella Sharp golf course and Miniature Golf Course, electronic cash registers provide a summary of cash received for the day. The starter/employee prepares a deposit slip and deposits the money to the bank, which is later evidenced in the form of a cash turn-in with the City Treasurer.

In order to enhance the internal accounting controls in this area, we recommend that on a monthly basis the cash register total slips be compared to the cash turn-in sheets by someone in a department independent of the golf course operations, which could be the Treasurer's office, Finance Department, or the Recreation Department.

C. INTERNAL CONTROL PROCESSES

Presently, after being signed, accounts payable checks written on Community Development funds go back to the Community Development Department for mailing to the vendor or payee.

In order to enhance the internal accounting controls in this area, we recommend that all accounts payable checks be sent to the Treasurer's Office in order to control mailing.

CITY OF JACKSON, MICHIGAN

Accounting Memorandum (Concluded)

For the Year Ended June 30, 2005

Also, presently all Community Development funds' bank statements initially are received by the Community Development Department. All other City account bank statements are sent by the financial institutions directly to the Treasurer's office.

We suggest that the Community Development fund bank statements be sent initially to the Treasurer's office. If the Community Development Department needs information from the statements in order to process transactions or reports, they can obtain the bank activity online.

D. BENCHMARKING

As the revenues available to governmental units has leveled off and even been reduced in certain instances, control of expenses and evaluation of internal processes and outcomes becomes more critical. Many entities within the governmental sector have used benchmarking techniques to evaluate their operations, and to continue and even better their services with the same resources. The technique used could take many forms. One that is commonly utilized is to perform the following:

- By department, determine the broad mission statement, and determine "critical success factors" which when achieved means that that department has accomplished its goals and mission. For example, a critical success factor for the maintenance area may include "Reduce down time of equipment that affects daily operations," or "Respond to service requests in a courteous and timely manner, with priority given to requests with public safety implications."
- Determine proposed efficiencies in departmental processes, and consider ways to enhance revenues. "Brainstorming" sessions could be conducted involving all departmental employees, in order to obtain their buy-in.
- Identify key performance indicators for each department, which enables the City to assess its progress on attainment of the critical success factors. For example, in the Water Department, indicators may include "Average number of customers waiting for repair daily," or "Annual inventory shrinkage as a percent of total repair parts expense," or "cubic gallons of shrinkage lost in water system as a percent of cubic gallons pumped."

There are numerous other areas within the City where these techniques could be applied. The City may want to explore and experiment with some of these benchmarking techniques and include them in the next budget document.